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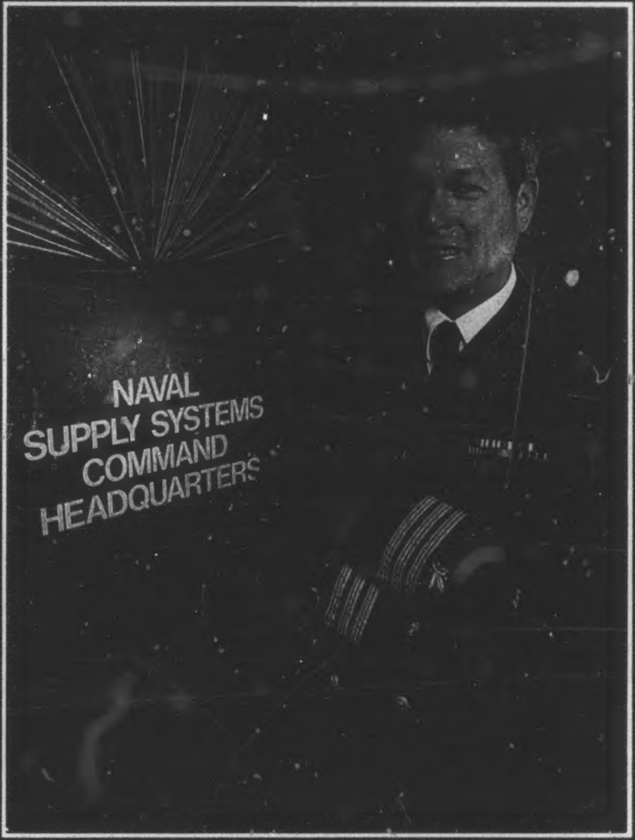
Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM ARMY TIMES PUBLISHING COMPANY NOVEMBER 1986 $4.00

THE DIRECTION CONNECTION

The right connection at the Navy Supply Systems Command with Cmdr. William Kaloupek, director of the resale program assistance staff



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COSMETICS

Giving the Military Special Treatment

COMPLETE COVERAGE OF THE ALA CONVENTION IN D.C.

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COVER DESIGN BY PAUL JORDAN; COVER PHOTOGRAPHS BY KATE PATTERSON

Military Market MAGAZINE

serving
the military
resale system

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MWR Construction Status —

(AD means additional data is required)

INSTALLATION	PROJECT	COST ($000)	STATUS
AZORES			
Lajes Field	fast food	$0	
GERMANY			
Augsburg	comsy whse addn	$2,350	AD
Ayers Kaserne	branch exch (conv)/gas	$1,300	
Ben Franklin Village Hsg	comsy extension	$3,050	AD
Ben Franklin Village Hsg	expand shopping center	$5,500	
Bitburg AB	fast food	$0	
Blink Family Hsg	exch branch (foodland)	$720	
Dexheim	fast food	$0	
Fulda	fast food	$0	
Hahn AB	shopping center	$8,300	
Kirchgoens	fast food	$0	
Lucius D. Clay Kaserne	shopping center	$3,450	
Nathan Hale QM Area	comsy whse addn	$1,350	AD
Paul Revere Village	fast food	$0	
Reese Barracks	branch exch (conv)	$1,150	
Rhein Main AB	fast food	$0	
Rheinberg Kaserne	main exch retail store	$2,900	AD
Smith Barracks	comsy whse addn	$1,750	AD
Soesterberg AB	add/alter-comsy	$850	AD
Vogelweh AB	comsy	$9,900	AD
GUAM			
Andersen AFB	branch exch	$2,100	
Andersen AFB	merchandise processing area	$560	
ITALY			
NSO LaMaddalena	exch retail store/comsy	$697	DEFER
NSO LaMaddalena	exch retail store/comsy	$1,138	DEFER
JAPAN			
Camp Zama	car care center	$1,050	AD
FA Yokosuka	exch flt support facilities	$1,250	AD
KOREA			
8th Army Retreat Ctr	activation mini mall	$1,550	
Camp Red Cloud	branch exch (conv)	$550	
Camp Walker (Taegu)	comsy addn	$1,550	
TURKEY			
Incirlik AB	fast food	$0	
UNITED KINGDOM			
RAF Lakenheath	fast food	$0	
RAF Mildenhall	fast food	$0	
RAF Upper Heyford	fast food	$0	
ALASKA			
Elmendorf AFB	fast food	$0	
Ft. Richardson	shopping center alteration	$2,250	
Ft. Richardson	fast food	$0	
Ft. Wainwright	package beverage store	$1,630	
Ft. Wainwright	fast food	$0	
ALABAMA			
Ft. Rucker	fast food	$0	
ARKANSAS			
Blytheville AFB	fast food	$0	
Little Rock AFB	fast food	$0	
ARIZONA			
Williams AFB	fast food	$0	
CALIFORNIA			
Ft. Ord	branch exch (conv)/gas	$1,100	
Ft. Ord	expand shop. center	$12,000	
George AFB	comsy	$8,500	AD
MCB Camp Pendleton	fast food mall	$2,548	AD
MCB Camp Pendleton	repl fill sta-Chappo (22) Area	$555	AD
MCB Twentynine Palms	fast food	$1,433	AD
MCB Twentynine Palms	installation restaurant	$1,450	AD
Mather AFB	fast food	$0	
NAS Lemoore	fast food	$0	AD
NAS Long Beach	fast food	$0	AD
NAS Miramar	fast food	$0	AD
NAS Moffett Field	fast food	$0	AD
NAS Moffett Field	branch comsy store	$8,500	
NAS North Island	multi food court	$1,200	AD
NAS North Island	fast food	$0	AD
NAS Point Mugu	fast food	$0	AD
NAS San Diego	fast food	$0	AD
NAS San Diego	fast food	$0	AD
NCBC Port Hueneme	fast food	$0	AD
NS Mare Island	fast food	$0	AD
NS San Diego	multi food court	$1,200	AD
NTC San Diego	NEX laundry plant	$2,750	
Northern California	N. Cal. dist. center	$39,000	AD
Norton AFB	add/alter shopping center	$3,000	
Presidio of Monterey	fast food	$0	AD
Vandenberg AFB	fast food	$0	
COLORADO			
Lowry AFB	add/alter branch exch	$760	
CONNECTICUT			
NSB New London	fast food	$0	AD
DELAWARE			
Dover AFB	fast food	$0	
FLORIDA			
Eglin AFB Aux Field #9	comsy	$5,800	AD
Eglin AFB Aux Field #9	fast food	$0	AD
NAS Pensacola	fast food	$700	AD
NAS Whiting Field	fast food	$0	AD
NTC Orlando	fast food	$0	AD
GEORGIA			
Ft. Benning	expand shopping center	$3,300	
Ft. Benning	package beverage store	$780	
Ft. McPherson	fast food	$0	
Ft. Stewart	branch exch (conv)/gas	$860	
Moody AFB	fast food	$0	
NSCS Athens	fast food	$0	AD
Robins AFB	fast food	$0	AD
HAWAII			
NAS Barbers Point	fast food	$0	AD
NS Pearl Harbor	fast food	$0	AD
NS Pearl Harbor	comsy store expansion	$3,200	
Schofield Barracks	branch exch (conv)/gas	$1,300	
ILLINOIS			
Chanute AFB	fast food	$0	
NTC Great Lakes	multi food court	$1,200	AD
INDIANA			
Grissom AFB	fast food	$0	
KANSAS			
Ft. Leavenworth	package beverage store	$530	
McConnell AFB	fast food	$0	
LOUISIANA			
Ft. Polk	branch exch (conv)/gas	$960	AD
Ft. Polk	expand branch exch (conv)/gas	$700	AD
Ft. Polk	package beverage store	$810	
MASSACHUSETTS			
Ft. Devens	comsy	$8,200	
Hanscom AFB	fast food	$0	
MAINE			
Bangor Intl AP	shopping center	$2,300	DEFER
MICHIGAN			
Detroit Arsenal	comsy	$6,200	AD
KI Sawyer AFB	fast food	$0	
Selfridge ANG	package beverage store	$565	AD
Wurtsmith AFB	fast food	$0	
MISSOURI			
Whiteman AFB	fast food	$0	
Whiteman AFB	shopping center	$6,150	AD
Whiteman AFB	add/alter-comsy	$2,000	AD
MISSISSIPPI			
Keesler AFB	fast food	$0	
NAS Meridian	fast food	$0	AD
NCBC Gulfport	fast food	$0	AD
MONTANA			
Malmstrom AFB	fast food	$0	
NORTH CAROLINA			
MCB Camp Lejeune	fast food Court	$2,730	AD
Seymour-Johnson AFB	addn to comsy	$3,950	AD
Seymour-Johnson AFB	fast food	$0	AD
NORTH DAKOTA			
Grand Forks AFB	add/alter-comsy	$1,200	AD
NEBRASKA			
Offutt AFB	fast food	$0	
NEW HAMPSHIRE			
Pease AFB	fast food	$0	
NEW JERSEY			
NWS Earle	exch retail facility	$1,750	
NEW MEXICO			
Cannon AFB	fast food	$0	
NEW YORK			
Ft. Drum	package beverage store	$933	
Griffiss AFB	comsy addn	$1,200	AD
Griffiss AFB	fast food	$0	
West Point	consolidated gift facility	$1,850	
West Point	package beverage store	$740	
OKLAHOMA			
Altus AFB	fast food	$0	
PENNSYLVANIA			
Carlisle Barracks	fast food	$0	
NS Philadelphia	fast food	$0	AD
RHODE ISLAND			
NETC Newport	fast food	$0	AD
NETC Newport	exch conv store	$600	
SOUTH CAROLINA			
Ft. Jackson	branch exch (conv)/gas	$880	AD
Myrtle Beach AFB	fast food	$0	
NS Charleston	fast food	$0	AD
NWS Charleston	exch 7-day store addn	$600	
Shaw AFB	fast food	$0	
SOUTH DAKOTA			
Ellsworth AFB	add/alter branch exch (conv)/gas	$630	
Ellsworth AFB	comsy	$6,700	AD
Ellsworth AFB	construct shopping center	$5,400	
TENNESSEE			
NAS Memphis	fast food	$0	AD
NAS Memphis	NEX dist center	$1,350	
TEXAS			
Ft. Hood	branch exch (conv)/gas	$880	
Ft. Hood	branch exch (conv)/gas	$1,400	
Ft. Hood	branch exch (conv)	$1,900	
Ft. Sam Houston	toyland (4 Seasons)	$2,300	
Goodfellow AFB	fast food	$0	
Lackland AFB	add/alter shopping center	$4,700	
Randolph AFB	fast food	$0	
Sheppard AFB	fast food	$0	
VERMONT			
Hill AFB	comsy addn	$1,000	AD
VIRGINIA			
FETC Dam Neck	fast food	$0	AD
Ft. Myer	fast food	$0	
Langley AFB	fast food	$0	
NNSY Portsmouth	fast food	$0	AD
WASHINGTON			
NSB Bangor	fast food	$0	AD
NSB Bangor	NEX mini-mart/consl pack str	$950	
NAS Whidbey Island	location exch (Ault Field)	$1,900	

Armed services approves construction

The House Armed Services Committee's morale, welfare and recreation panel has approved a Pentagon package of non-appropriated fund construction projects to be paid for with funds expected to be raised in 1989.

The panel, chaired by Rep. Marvin Leath, D-Texas, gave the green light to construction on 155 projects included in a Sept. 20 proposal submitted by Marine Corps Lt. Gen. Anthony Lukeman, the Pentagon's deputy assistant secretary for military manpower and personnel policy.

The panel's approval means work can start on the projects. Approval was either delayed or deferred for 104 other projects.

In an Oct. 13 letter to Lukeman, Leath said the panel was delaying approval of 95 projects worth nearly $260 million until the Pentagon could provide additional data justifying their need. Those projects included the proposal for a $39-million northern California distribution center for the Army and Air Force Exchange Service.

The panel also has held up approval for Air Force commissary construction, pending resolution of a conflict with AFCOMS about Wee Serv convenience stores, and of Navy fast food outlets, pending assurances about operations overseas.

The MWR panel has to approve Defense Department plans to spend those funds. Pentagon officials say that the oversight authority has been a longstanding bone of contention.

In his letter to Lukeman, Leath cautioned that lawmakers believe the Pentagon staff continues to support poorly estimated and unnecessary projects suggested by local bases. This has forced the panel to spend "years reviewing, rejecting and approving with grave reservations projects that should never have been forwarded to Congress in the first place," he said.

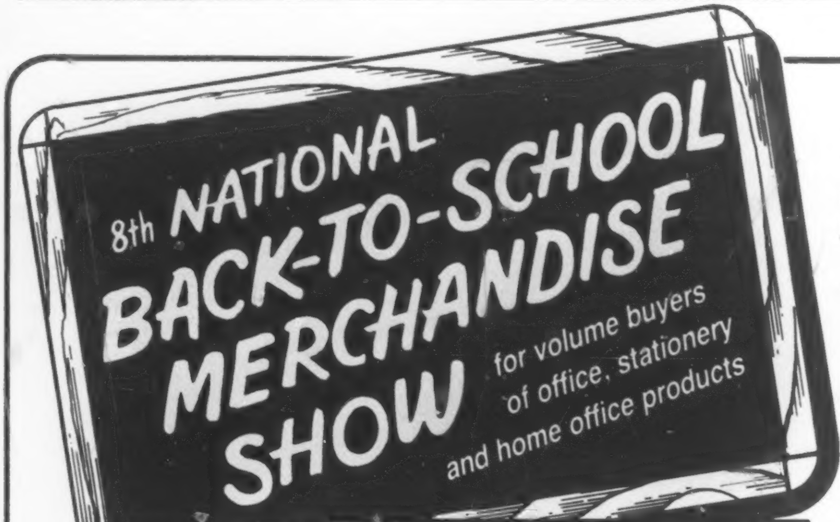
Leath said the MWR panel is "convinced that, as long as construction requirements originate and are validated at the base level, and lack consistent and strong central management and oversight, we may be backing the MWR program into a [financial] corner."

An aide to the House Armed Services Committee, who asked not to be identified, said that the number of projects approved was somewhat low because the proposal was delivered to the MWR panel two months late. More projects would have been approved outright, he said, if the panel had had more time to consider them.

He added that the panel chose to provide quick approval on those projects considered plainly necessary, and will likely approve others individually as the Pentagon clears up questions about them.

A Pentagon official acknowledged that the annual requests from the services for the construction projects tend to arrive at the Pentagon sporadically. But, he said, congressional insistence that the Defense Department perform central oversight of those requests contributed to the delay in forwarding Lukeman's proposal.

[EDITOR'S NOTE: On the facing page, please see a list of the commissary and exchange projects which were proposed.]



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Military Market index

COMMISSARIES

		JULY			YEAR TO DATE		
		CY'88	**CY'87**	**% CHANGE**	**CY'88**	**CY'87**	**% CHANGE**
	CONUS	$170,105	$165,509	2.78	$1,129,879	$1,114,298	1.40
	OVERSEAS	39,116	34,595	13.07	257,728	232,556	10.82
AIR FORCE	TOTAL	**209,221**	**200,104**	**4.56**	**1,387,608**	**1,346,854**	**3.03**
	CONUS	117,600	115,710	1.63	801,500	782,985	2.36
	OVERSEAS	42,840	40,425	5.97	302,400	273,210	10.68
ARMY	TOTAL	**160,440**	**156,135**	**2.76**	**1,103,900**	**1,056,195**	**4.52**
	CONUS	60,373	58,198	3.74	449,614	439,006	2.42
	OVERSEAS	6,739	6,481	3.98	51,124	49,037	4.26
NAVY	TOTAL	**67,112**	**64,679**	**3.76**	**500,739**	**488,044**	**2.60**
	CONUS	14,023	13,975	0.34	97,022	94,853	2.29
	OVERSEAS	275	293	–6.14	2,151	1,915	12.32
MARINE CORPS	TOTAL	**14,298**	**14,268**	**0.21**	**99,173**	**96,768**	**2.49**
	CONUS	230	222	3.60	1,848	1,756	5.24
	OVERSEAS	315	272	15.81	2,051	2,123	–3.39
COAST GUARD	TOTAL	**545**	**495**	**10.10**	**3,900**	**3,879**	**0.54**
	CONUS	$362,331	$353,614	2.47	$2,479,863	$2,432,898	1.93
ALL	OVERSEAS	$89,285	$82,066	8.80	$615,454	$558,841	10.13
COMMISSARIES	TOTAL	**$451,616**	**$435,680**	**3.66**	**$3,095,317**	**$2,991,739**	**3.46**
GROCERY STORES	*U.S.*[1]	*$27.197*	*$26.095*	*4.22*	*$177.584*	*$170.850*	*3.94*

EXCHANGES

		JULY			YEAR TO DATE		
		CY'88	**CY'87**	**% CHANGE**	**CY'88**	**CY'87**	**% CHANGE**
	CONUS	$286,807	$270,374	6.08	$1,887,164	1,782,239	5.89
	OVERSEAS	217,867	196,871	10.66	1,525,860	1,326,856	15.00
AAFES	TOTAL	**504,674**	**467,245**	**8.01**	**3,413,024**	**3,109,095**	**9.78**
	CONUS[2]	94,936	89,293	6.32	695,349	634,380	9.61
	OVERSEAS[2]	43,699	38,374	13.88	308,098	274,695	12.16
NAVY	TOTAL[2]	**138,635**	**127,667**	**8.59**	**1,003,447**	**909,075**	**10.38**
	CONUS	30,444	30,408	0.12	206,105	200,892	2.59
	OVERSEAS	5,239	5,145	1.83	36,008	34,408	4.65
MARINE CORPS	TOTAL	**35,682**	**35,553**	**0.36**	**242,113**	**235,300**	**2.90**
	CONUS[3]	6,456	6,588	–2.00	44,878	45,794	–2.00
	OVERSEAS[3]	481	491	–2.04	3,343	3,411	–1.99
COAST GUARD	TOTAL[3]	**6,937**	**7,079**	**–2.01**	**48,220**	**49,205**	**–2.00**
	CONUS[4]	874	1,122	–22.10	8,814	9,882	–10.81
OVERSEAS[4]	1,725	2,570	–32.88	13,705	16,061	–14.67	
MAIL ORDER	TOTAL[4]	**2,599**	**3,691**	**–29.59**	**22,520**	**25,942**	**–13.19**
	CONUS	$[illegible]9,517	$397,785	5.46	$2,842,310	$2,673,187	6.33
	OVERSEAS	$2[illegible],011	$243,451	10.50	$1,887,014	$1,655,431	13.99
ALL EXCHANGES	TOTAL	**$68[illegible]528**	**$641,236**	**7.38**	**$4,729,324**	**$4,328,618**	**9.26**
DEPARTMENT STORES	*U.S.*[1]	*$11.195*	*$10.763*	*4.01*	*$76.135*	*$72.758*	*4.64*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

NOTE: Distribution of sales by CONUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

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A New Voice

Paul Pierpoint and Ann Lowell, general managers of the Military Marketplace Association

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Another group joins the Capitol Hill crowd — advocating MWR benefits.

Profiles on the American Logistics Association, the Armed Forces Marketing Council and the Military Marketplace Association.

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COMMISSARIES

		AUGUST			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$166,263	$159,339	4.35	$1,296,142	$1,273,636	1.77
	OVERSEAS	36,780	34,198	7.55	294,508	266,754	10.40
AIR FORCE	TOTAL	**203,043**	**193,537**	**4.91**	**1,590,651**	**1,540,391**	**3.26**
	CONUS	116,025	112,770	2.89	917,525	895,755	2.43
	OVERSEAS	41,790	42,420	–1.49	344,190	315,630	9.05
ARMY	TOTAL	**157,815**	**155,190**	**1.69**	**1,261,715**	**1,211,385**	**4.15**
	CONUS	60,764	58,505	3.86	510,378	497,511	2.59
	OVERSEAS	6,774	6,518	3.93	57,899	55,555	4.22
NAVY	TOTAL	**67,538**	**65,023**	**3.87**	**568,277**	**553,067**	**2.75**
	CONUS	11,788	11,582	1.78	108,810	106,435	2.23
	OVERSEAS	277	280	–1.07	2,428	2,195	10.62
MARINE CORPS	TOTAL	**12,065**	**11,862**	**1.71**	**111,238**	**108,630**	**2.40**
	CONUS	232	224	3.57	2,081	1.981	5.05
	OVERSEAS	271	287	–5.57	2,322	2,410	–3.65
COAST GUARD	TOTAL	**504**	**511**	**–1.37**	**4,403**	**4,391**	**0.27**
	CONUS	$355,072	342,420	3.69	2,834,936	2,775,318	215
ALL	OVERSEAS	$85,892	83,703	2.62	701,347	642,544	9.15
COMMISSARIES	TOTAL	**$440,965**	**$426,123**	**3.48**	**$3,536,283**	**$3,417,862**	**3.46**
GROCERY STORES	*U.S.*[1]	*$26.635*	*25.146*	*5.92*	*204.286*	*195.996*	*4.23*

EXCHANGES

		AUGUST			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$289,331	$273,000	5.98	$2,176,495	2,055,238	5.90
	OVERSEAS	208,015	203,170	2.38	1,733,875	1,530,026	13.32
AAFES	TOTAL	**497,346**	**476,170**	**4.45**	**3,910,370**	**3,585,265**	**9.07**
	CONUS[2]	97,871	99,678	–1.81	793,220	734,058	8.06
	OVERSEAS[2]	42,113	44,909	–6.23	350,211	319,604	9.58
NAVY	TOTAL[2]	**139,984**	**144,587**	**–3.18**	**1,143,431**	**1,053,662**	**8.52**
	CONUS	32,224	30,617	5.25	238,329	231,510	2.95
	OVERSEAS	5,475	5,385	1.67	41,483	39,793	4.25
MARINE CORPS	TOTAL	**37,699**	**36,002**	**4.71**	**279,812**	**271,303**	**3.14**
	CONUS[3]	6,632	6,860	–3.32	51,510	52,654	–2.17
	OVERSEAS[3]	494	511	–3.33	3,837	3,922	–2.17
COAST GUARD	TOTAL[3]	**7,126**	**7,371**	**–3.32**	**55,346**	**56,576**	**–2.17**
	CONUS[4]	927	954	–2.83	9,741	10,835	–10.10
	OVERSEAS[4]	1,762	2,009	–12.29	15,467	18,070	–14.41
MAIL ORDER	TOTAL[4]	**2,689**	**2,963**	**–9.25**	**25,208**	**28,905**	**–12.79**
	CONUS	$426,985	$411,109	3.86	$3,269,295	$3,084,295	6.00
	OVERSEAS	$257,859	$255,984	0.73	$2,144,873	$1,911,415	12.21
ALL EXCHANGES	TOTAL	**$684,844**	**$667,093**	**2.66**	**$5,414,168**	**$4,995,710**	**8.38**
DEPARTMENT STORES	*U.S.*[1]	*$12.448*	*$12.198*	*2.05*	*$88.586*	*$84.956*	*4.27*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

NOTE: Distribution of sales by CONUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

ANNUAL GUIDE TO NAME-BRAND SUPPLIERS

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Military Market

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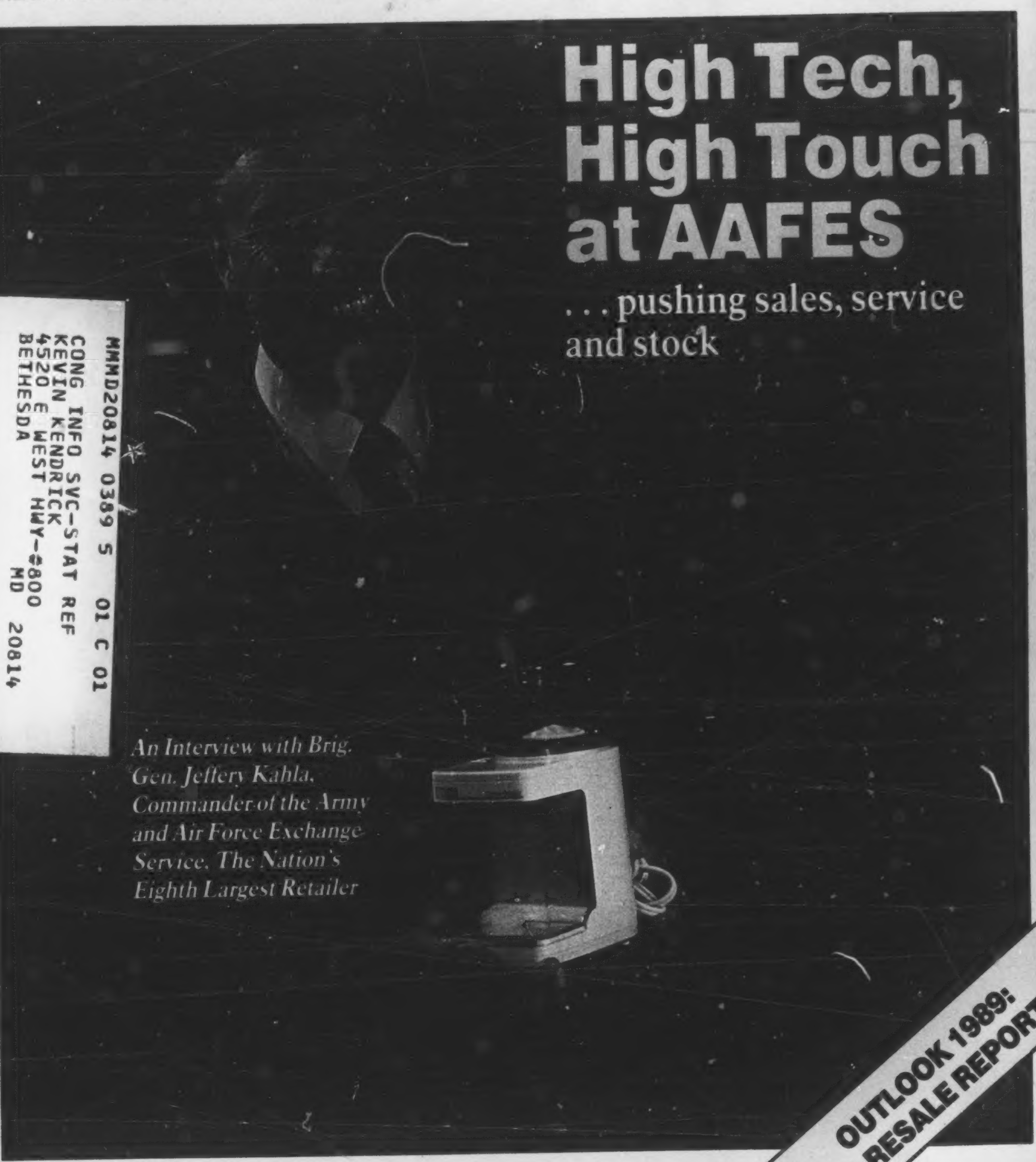

High Tech, High Touch at AAFES

. . . pushing sales, service and stock

An Interview with Brig. Gen. Jeffery Kahla, Commander of the Army and Air Force Exchange Service, The Nation's Eighth Largest Retailer

OUTLOOK 1989: A RESALE REPORT

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COVER DESIGN BY PAUL JORDAN; COVER PHOTOGRAPH BY DOUG PENSINGER

Military Market MAGAZINE

serving the military resale system

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news

Work starts on new commissaries in Germany

Fall was the season for groundbreakings in the Troop Support Agency, as Germany saw construction begin on several new projects.

☐ On Sept. 19, work began on a 15,904 square-foot warehouse and office addition at the Aschaffenburg commissary. The project will cost $1.3 million and should be completed in August of 1989.

TSA expects the addition to almost double the current warehouse capacity of 8,720 square feet.

☐ Construction on a new commissary at Garlstedt, Germany, was scheduled to begin Nov. 7. The new store, which should be completed in April of 1990, will replace the Osterholz-Scharmbeck commissary. Total costs for the project come to $7,913,568.

The replacement will mean an increase of 56,122 square feet in total area, with warehouse space increasing from just 472 square feet to 23,408 square feet. The new 61,472-square-foot facility will include 13,984 square feet of sales and front-end area and 3,036 square feet of administrative office space. The existing store has 3,534 square feet of sales area and 168 square feet of administrative space.

In the front-end area, the number of check-out counters will go from three to five, and these will be improved with scanning equipment and electronic scales. Parking area will decrease, with a loss of 25 spaces.

Energy-saving features, a delicatessen, a bakery and closed-circuit television are some of the other features to be included in the new facility. The original store was built in 1980.

Customer transactions in commissaries

	TOTAL SALES	NUMBER OF TRANSACTIONS	AVERAGE TRANSACTION
ALL COMMISSARY SYSTEMS			
Fiscal 1986	$4,729,354,943	110,918,780	$42.64
Fiscal 1987	4,963,584,876	N/A	N/A
Fiscal 1988*	4,739,267,729	112,354,562	42.18
MARINE CORPS COMMISSARY SERVICE BRANCH			
Fiscal 1986	164,850,744	3,870,321	42.59
Fiscal 1987	167,006,746	3,830,717	43.60
Fiscal 1988	171,351,676	3,855,299	44.45
AIR FORCE COMMISSARY SERVICE			
Fiscal 1986	2,114,773,083	46,319,472	45.66
Fiscal 1987	2,210,378,000	N/A	N/A
Fiscal 1988	2,323,573,650	55,774,692	41.66
NAVY RESALE AND SERVICES SUPPORT OFFICE			
Fiscal 1986	807,962,116	18,947,114	42.64
Fiscal 1987	844,090,130	19,569,128	43.13
Fiscal 1988	869,642,403	19,662,468	44.23
TROOP SUPPORT AGENCY			
Fiscal 1986	1,641,769,000	41,781,873	39.29
Fiscal 1987	1,742,110,000	42,660,799	40.84
Fiscal 1988*	1,374,700,000	33,062,103	41.58

* TSA only through third quarter.

SOURCE: Commissary services.

Military Market index

COMMISSARIES

		SEPTEMBER			YEAR TO DATE		
		CY'88	**CY'87**	**% CHANGE**	**CY'88**	**CY'87**	**% CHANGE**
	CONUS	$168,610	$167,252	0.81	$1,464,752	$1,440,888	1.66
	OVERSEAS	37,025	40,413	–8.38	331,534	307,167	7.93
AIR FORCE	TOTAL	**205,636**	**207,665**	**–0.98**	**1,796,286**	**1,748,055**	**2.76**
	CONUS	115,290	109,725	5.07	1,032,815	1,005,480	2.72
	OVERSEAS	41,790	39,165	6.70	385,980	354,795	8.79
ARMY	TOTAL	**157,080**	**148,890**	**5.50**	**1,418,795**	**1,360,275**	**4.30**
	CONUS	74,363	71,936	3.37	584,741	569,447	2.69
	OVERSEAS	8,452	7,891	7.11	66,350	63,446	4.58
NAVY	TOTAL	**82,814**	**79,827**	**3.74**	**651,091**	**632,894**	**2.88**
	CONUS	16,191	14,958	8.24	125,001	121,393	2.97
	OVERSEAS	294	273	7.69	2,722	2,468	10.29
MARINE CORPS	TOTAL	**16,485**	**15,231**	**8.23**	**127,723**	**123,860**	**3.12**
	CONUS	313	280	11.79	2,394	2,260	5.93
	OVERSEAS	261	327	–20.18	2,583	2,737	–5.63
COAST GUARD	TOTAL	**573**	**606**	**–5.45**	**4,976**	**4,997**	**–0.42**
	CONUS	$374,767	364,151	2.92	3,209,703	3,139,468	2.24
ALL COMMISSARIES	OVERSEAS	$87,822	88,069	–0.28	789,169	730,613	8.01
	TOTAL	**$462,589**	**$452,220**	**2.29**	**$3,998,872**	**$3,870,081**	**3.33**
GROCERY STORES	*U.S.*[1]	*$26.390*	*24.370*	*8.29*	*230.805*	*220.366*	*4.74*

EXCHANGES

		SEPTEMBER			YEAR TO DATE		
		CY'88	**CY'87**	**% CHANGE**	**CY'88**	**CY'87**	**% CHANGE**
	CONUS	$281,291	$264,342	6.41	$2,457,786	2,319,581	5.96
	OVERSEAS	210,221	204,535	2.78	1,944,097	1,734,561	12.08
AAFES	TOTAL	**491,512**	**468,877**	**4.83**	**4,401,883**	**4,054,142**	**8.58**
	CONUS[2]	116,250	95,325	21.95	909,469	829,383	9.66
	OVERSEAS[2]	48,845	40,853	19.56	399,056	360,457	10.71
NAVY	TOTAL[2]	**165,095**	**136,178**	**21.23**	**1,308,525**	**1,189,840**	**9.97**
	CONUS	30,617	28,808	6.28	268,946	260,317	3.31
	OVERSEAS	4,987	5,338	–6.58	46,470	45,132	2.96
MARINE CORPS	TOTAL	**35,605**	**34,146**	**4.27**	**315,417**	**305,449**	**3.26**
	CONUS[3]	6,723	6,767	–0.65	58,233	59,421	–2.00
	OVERSEAS[3]	501	504	–0.60	4,338	4,426	–1.99
COAST GUARD	TOTAL[3]	**7,224**	**7,271**	**–0.65**	**62,570**	**63,847**	**–2.00**
	CONUS[4]	1,120	876	27.85	10,861	11,711	–7.26
	OVERSEAS[4]	1,907	1,493	27.73	17,375	19,562	–11.18
MAIL ORDER	TOTAL[4]	**3,027**	**2,368**	**27.83**	**28,236**	**31,273**	**–9.71**
	CONUS	$436,001	$396,118	10.07	$3,705,295	$3,480,413	6.46
	OVERSEAS	$266,461	$252,723	5.44	$2,411,336	$2,164,138	11.42
ALL EXCHANGES	TOTAL	**$702,462**	**$648,841**	**8.26**	**$6,116,631**	**$5,644,551**	**8.36**
DEPARTMENT STORES	*U.S.*[1]	*$11.846*	*$11.132*	*6.41*	*$100.448*	*$96.088*	*4.54*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

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Closing Bases: What It Means for Commissaries and Exchanges

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Military Market

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Everyone's Congressman

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Bill Nichols
(1918 to 1988)

A tribute to an all-American: scholar, football star, soldier, businessman, family man. This veteran House member was a friend to GIs, farmers, teachers and churchgoers.

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MR. NICHOLS
CHAIRMAN

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market report

A Packaging Revolution

At first, frozen food marketers viewed microwaves as useful sales promoters. Now, it's frozen food (and other) packaging that accommodates microwave technology.

By KAREN McBETH
Associate Editor

If it weren't for the microwave oven, frozen foods might have remained lifeless in their coffin cases. Now that 70 percent of households own the appliance, veteran industrials like Du Pont and 3M are teaming up with frozens manufacturers to create packages that do magical things in a microwave.

Packaging innovations have revitalized the frozen food industry and created a new category to compete with it: shelf-stable microwavables.

Consumers crave convenience, but they don't want to pay too much for special packaging, Michael Kashtock told MILITARY MARKET. Kashtock is a senior research technologist for the National Food Processors Association.

SAMI/Burke data for the year ending in March 1988 show that products made just for microwaves gained 51 percent, and a recent *Parade Magazine* survey of 2,000 people found that 60 percent look for products with microwave instructions.

Although dual-ovenable products were "in" for a while, the trend now is toward items targeted to either the microwave or the conventional oven, said Cindi Rockwell, director of publications for the National Frozen Food Association.

"It's difficult to make a product that's just as good in both" formats, she told MILITARY MARKET.

Frozens Continue Sales Expansion

As of March 1988, SAMI/Burke showed frozen food sales up 37 percent in a 52-week period. Analysts say the growing segments are mid-priced entrees, fast-food-style sandwiches, vegetables, poultry and breakfast items. Low-calorie frozens are growing slightly, while sweet goods, meats and ethnic foods are declining. Sales of premium entrees dropped as much as 30 percent in 1987, and manufacturers are lowering prices and adding coupons on some lines.

The Air Force Commissary Service sees the frozen food category to be growing and is expanding the frozen food section in stores where it's possible. Spokesman Mike Hawkins told MILITARY MARKET that 30 percent of commissaries now have three rows of cases instead of two, and new stores will have three rows.

The Navy Resale and Services Support Office has recognized the importance of the microwave, and microwave frozens are in a special section heralded by a neon sign. "Microwavable foods have grown so much in popularity, they are becoming their own merchandise group," said spokeswoman Maureen Murray. "By grouping the meat and frozen foods into separate sections, it makes customer selections easier."

However, civilian retailers who experimented with the concept of special display areas for microwavables found that people shop categories, not sections and that it's better to integrate microwave products within the regular category.

The Troop Support Agency reports that frozen food sales for fiscal 1988 were $28,442,425 — about 6 percent of total commissary sales.

The Shelf-Stable Challenge

According to SAMI/Burke, shelf-stable microwavable products gained 769 percent in sales for the year ending in March 1988. Dinners and entrees experienced phenomenal growth.

Some industry analysts have reservations, however. They say the U.S. consumer might not be ready to accept the shelf-stable concept because they question freshness.

The National Food Processors' Kashtock said packaging these products is more difficult because barrier materials must keep oxygen out and withstand the cooking environment.

"It's a bigger challenge technologically because you're calling on the package to do things it doesn't do in the frozen market. It has put that product category [shelf stables] a few years behind."

NAVRESSO draws attention to shelf-stable microwavables, which are located within their normal categories, by using shelf tags. Hawkins said AFCOMS is "making room for shelf-stable microwavables."

Packaging Goes High-Tech, Too

Microwavable frozens and shelf-stables rely on a combination of simple but highly sophisticated packaging.

Dual-ovenable paperboard is still around, and, according to Kashtock, is "quite popular. . . . It's a combination of fairly inexpensive packaging and convenience in preparation."

And aluminum has come full circle. Micro Match Packaging Systems, a division of Alcan Aluminum, developed a new kind of aluminum tray with a plastic skirt, so electric arcing won't damage the microwave. The company sells containers that have a plastic and foil lid, which uses clusters of aluminum "antennae" to steer heat to specific areas (or foods) within the package. This system can heat a frozen entree, for instance, while keeping ice cream in the same package hard.

For products where browning or crisping is important, susceptors are

Microwavables

MICROWAVE MANIA: Popularity is so high that many Navy commissaries have their own microwave sections.

BY MAUREEN MURRAY — NAVRESSO

becoming the norm. These are plastic or polyester film strips that have been aluminized. The aluminum is deposited in the plastic, so that the material absorbs heat and then reflects it in high levels onto the food.

"What's happening is that packaging is playing a role in cooking the food," Kashtock explained.

Susceptors are found on the inside of popcorn bags, and in packages containing pizza, fish sticks, French fries and waffles. The growing popularity of frozen fast-foods depends on susceptors, which keep buns from getting soggy and make French fries crispy.

An example of how special technology makes crispy French fries is the process used by Golden Valley Microwave Foods. Potatoes are pulverized, partially dehydrated, and forced through an extruder to form four-inch pieces. They are passed through a continuous fryer until they are 70 percent cooked and then packaged with susceptors. The susceptor procedure causes the outside of the fries to cook first so that moisture is sealed in; the fries don't get soggy.

Golden Valley is still working on the fry, which may be in full production by October of this year.

However, according to *Science and Technology* magazine, susceptors "can't solve every browning problem," and they lose efficiency when bent. So companies are developing flexible susceptors, which may soon be used in microwavable products.

Leigh Mardon Ltd., the research and development arm of Amatil Ltd., an Australian company, has developed a susceptor wrap — a roll just like aluminum foil. Du Pont is working with the Campbell Soup Microwave Institute to develop a similar product.

Shelf-stable entrees like Hormel's Top Shelf or General Foods' Impromptu lines are vacuum-packed and cooked using special processes. They use crystallized polyethylene terephthalate (CPET) trays that have foil-based lidding and are domed with opaque plastic. Del Monte heat-seals its vegetable side dishes.

ConAgra precooks the meat, vegetables and potatoes in its frozen Armour Dinner Classics at different temperatures. Then, when the dinner is zapped in a microwave, everything is done at the same time.

ConAgra was the first to use doneness indicators, which were developed by 3M Corp. These are blue and white strips of pressure-sensitive material, inside a plastic capsule. As steam warms the indicator, the blue colorant melts and spreads over the white. The dinner is done when the strip turns from white to blue.

Hormel entered the packaging contest with its microwavable bacon, a refrigerated product. Steam from the cooking bacon puffs up the bag that contains it, so that heat is concentrated like an internal minibroiler. A self-venting slit on top allows enough steam to escape so that the bacon turns brown and crisp. Small pouches with absorbant tissue take up the bacon grease as it cooks. MM

NAVRESSO's top five frozen

1 — Minute Maid Orange Juice
2 — Banquet Fried Chicken
3 — Tropicana Orange Juice
4 — Cool Whip Topping
5 — Ore-Ida Crinkle-Cut French Fries

TSA's top-selling frozen manufacturers/brands

Bakery —	(1) Lender's Bagels (2) Sara Lee
Fruits and juices —	(1) VIP fruit (2) Minute Maid Orange Juice
Frozen prepared foods —	(1) Banquet (2) Swanson
Pizza —	(1) Tony (2) Celeste
Frozen vegetables —	(1) VIP (2) Ore-Ida

NAVRESSO's frozen foods as a percent of grocery sales

Fiscal 1988 — 9.5%
Fiscal 1987 — 9.6%
Fiscal 1986 — 9.1%

update

A second construction list from Congress —

On Dec. 19, the House Armed Services Committee's Morale, Welfare and Recreation Panel released a second list of approved construction projects for fiscal 1989.

[See list on facing page.]

The list, and its attached cover letter, addresses the balance of the nonappropriated fund construction requests that were presented to the panel by the Department of Defense on Sept. 20, The panel did its first evaluation of the list in mid-October. *[See November 1988 issue.]*

The panel approved many of the projects on which it had requested additional data, though it continued to delay or defer decisions on a number of others, primarily privately-financed fast food operations.

In his letter, Rep. Marvin Leath, D-Texas, chairman of the panel, explained that the members are "withholding a decision on the proliferation of privately financed and operated facilities pending an evaluation by DoD of terms and conditions governing these contracts as well as the long-range plans for these initiatives and the associated impact upon the traditional MWR and exchange mission."

The new list approves 42 more projects, 13 of which are additions or alterations to commissaries. Seven of the projects are exchange-related.

The panel again delayed making a decision on the proposed $39-million northern California distribution center for the Army and Air Force Exchange Service. The list indicates that additional data is still required on this project, primarily information about where AAFES wants to locate the facility.

Additional data is also requested on the Nathan Hale QM Area commissary warehouse addition in Germany and on the Vogelweh AB, Germany, commissary.

The panel deferred decisions on the exchange retail store/commissary at the Naval Support Office at La Maddalena, Italy; on the George AFB, Calif., commissary and on the Bangor International Airport, Maine, shopping center.

Leath's letter also questioned the large amounts the Army is investing in Fort Wainwright, Alaska, facilities. While the panel approved the $14 million commissary that was requested in the fiscal 1989 budget, Leath questioned the additional $15 million that the Army may request for fiscal 1990. He said the panel wants the Army and Air Force to pursue a joint-use recreation area for the Fairbanks area.

Combined with the package of projects approved Oct. 13, the panel has okayed more than $400 million in morale, welfare and recreation construction for 1989. About 50 additional projects worth more than $85 million are still under consideration.

Those projects are not constructed with tax dollars, but with funds collected from exchange profits, MWR fees and commissary surcharges. The MWR panel has to approve Defense Department plans to spend those funds, however.

Vendors' promotions enable stores to give to charities

Although the season for gift-giving and goodwill has passed, the spirit goes on for commissaries. Charity donations occur year-round in conjunction with manufacturer-sponsored promotions.

Vendors ask the stores to promote the fact that a portion of the case-lot price goes to a charity. The average amount donated per case is about 25¢, although it can be as much as $1. The promotions normally last about two months, and the donation is made in the name of the military service. Often the items are sold with a VPR.

☐ The Troop Support Agency has cooperated in these programs for many years. Since TSA first began participating in 1984, donations have gone up by more than 700 percent.

As of the end of fiscal 1988, cause-oriented promotions in TSA raised $279,800 — $131,800 went to Army Emergency Relief; $40,000 to the USO; $80,000 to Special Olympics, and $28,000 to the Girl Scouts.

Several promotions not included in these figures began in fiscal 1988 and will end during FY '89, including programs for donations to the Boy Scouts and Girl Scouts, Dollars for Scholars, USO, Mothers Against Drunk Driving, Special Olympics, the U.S Olympic Team, the Association for Retarded Citizens, the Muscular Dystrophy Association and the Ronald McDonald House.

Beginning in 1989, Procter and Gamble Co., C. Lloyd Johnson Co. and Scott Paper Co. will work with TSA on promotions to benefit the Special Olympics, Uniform of the Day, the USO, Ronald McDonald House and the Girl Scouts.

☐ The Navy Resale and Services Support Office participated in 17 charitable promotions during 1988. As of November, these had raised about $80,000. Manufacturers participating included P&G, General Foods, Lever Brothers, Colgate-Palmolive, Dial Co., C. Lloyd Johnson Co., Dixon Marketing, Scott Paper Co. and Boyle-Midway.

From these, the following charities will receive donations: the Navy Relief Society, the U.S. Military Sports Association, Base Youth Centers, Special Olympics, Second Harvest, Just Say No Foundation, Toys for Tots, Ronald McDonald House, Tools for Schools, Children's Miracle Network, Navy Wives Clubs of America, the USO, and the Boy Scouts and Girl Scouts. (Scouting donations go to troops in the same area as the commissary or exchange that sponsored the promotion.)

☐ The Air Force Commissary Service and Marine Corps commissaries don't keep track of money raised through charitable promotions in their stores. Most of the time, manufacturers coordinate and promote any charitable fundraisers.

Cause-marketing activities are becoming commonplace. According to *Business Week*, cause-related campaigns generate about $100 million of the $4.6 billion donated annually to charities by major corporations.

MWR Construction Status

(AD means additional data is required)
(indicates a new request)*

INSTALLATION	PROJECT	COST ($000)	STATUS
GERMANY			
Augsburg	comsy whse addn	$2,350	
Ben Franklin Village Hsg	comsy extension	$3,050	
Nathan Hale QM Area	comsy whse addn	$1,350	AD
Rheinberg Kaserne	main exch retail store	$2,900	
Smith Barracks	comsy whse addn	$1,750	
Soesterberg AB	add/alter-comsy	$850	
Vogelweh AB	comsy	$9,900	AD
Wolfgang Kaserne	gas sta/carwash	$1,000	DEFER
GUAM			
NS Guam	fast food	$0	AD
ICELAND			
NS Keflavik	fast food	$0	AD
ITALY			
NSO LaMaddalena	exch retail store/comsy	$697	DEFER
NSO LaMaddalena	exch retail store/comsy	$1,138	DEFER
JAPAN			
Camp Zama	car care center	$1,050	
FA Yokosuka	exch flt support facilities	$1,250	
SPAIN			
NS Rota*	fast food	$0	AD
CALIFORNIA			
George AFB	comsy	$8,500	DEFER
MCB Camp Pendleton	fast food mall	$2,548	AD
MCB Camp Pendleton	repl fill sta-Chappo (22) Area	$555	
MCB Twentynine Palms	fast food	$1,433	AD
MCB Twentynine Palms	installation restaurant	$1,450	AD
NAS Lemoore	fast food	$0	AD
NAS Long Beach	fast food	$0	AD
NS Mare Island	fast food	$0	AD
NAS Miramar	fast food	$0	AD
NAS Moffett Field	fast food	$0	AD
NAS North Island	multi food court	$1,200	AD
NAS North Island	fast food	$0	AD
NAS Point Mugu	fast food	$0	AD
NCBC Port Hueneme	fast food	$0	AD
NAS San Diego	fast food	$0	AD
NAS San Diego	fast food	$0	AD
NS San Diego	multi food court	$1,200	AD
Northern California	N. Cal. dist. center	$39,000	AD
Presidio of Monterey	fast food	$0	
CONNECTICUT			
NSB New London	fast food	$0	AD
FLORIDA			
Eglin AFB Aux Field #9	comsy	$5,800	
Eglin AFB Aux Field #9	fast food	$0	
NAS Pensacola	fast food	$700	AD
NAS Whiting Field	fast food	$0	AD
NTC Orlando	fast food	$0	AD
GEORGIA			
NSCS Athens	fast food	$0	
Robins AFB	fast food	$0	
HAWAII			
NAS Barbers Point	fast food	$0	AD
NS Pearl Harbor	fast food	$0	AD
ILLINOIS			
NTC Great Lakes	multi food court	$1,200	AD
NTC Great Lakes	multi food court	$1,200	AD
LOUISIANA			
Ft. Polk	branch exch (conv)/gas	$960	
Ft. Polk	expand branch exch (conv)/gas	$700	
MAINE			
Bangor Intl AP	shopping center	$2,300	DEFER
MICHIGAN			
Selfridge ANG*	commissary	$6,200	
Selfridge ANG	package beverage store	$565	
MISSOURI			
Fort Leonard Wood*	commissary	$9,700	
Whiteman AFB	fast food	$0	AD
Whiteman AFB	shopping center	$5,000	
Whiteman AFB	add/alter-comsy	$2,000	
MISSISSIPPI			
NCBC Gulfport	fast food	$0	AD
NAS Meridian	fast food	$0	AD
NORTH CAROLINA			
MCB Camp Lejeune	fast food court	$2,730	AD
MCB Cherry Point	auto service ctr	$1,540	AD
Seymour-Johnson AFB	addn to comsy	$3,950	
Seymour-Johnson AFB	fast food	$0	
NORTH DAKOTA			
Grand Forks AFB	add/alter-comsy	$1,200	
NEW YORK			
Griffiss AFB	comsy addn	$1,200	
NS Staten Island*	fast food	$0 AD	
PENNSYLVANIA			
NS Philadelphia	fast food	$0	AD
RHODE ISLAND			
NETC Newport	fast food	$0	AD
SOUTH CAROLINA			
Ft. Jackson	branch exch (conv)/gas	$880	
NS Charleston	fast food	$0	AD
SOUTH DAKOTA			
Ellsworth AFB	comsy	$6,700	
TENNESSEE			
NAS Memphis	fast food	$0	AD
UTAH			
Hill AFB	comsy addn	$1,900	
VIRGINIA			
FETC Dam Neck	fast food	$0	AD
NAS Oceana*	fast food	$0	AD
NNSY Portsmouth	fast food	$0	AD
WASHINGTON			
NSB Bangor	fast food	$0	AD

Military Market index

COMMISSARIES

		OCTOBER			YEAR TO DATE		
		CY'88	**CY'87**	**% CHANGE**	**CY'88**	**CY'87**	**% CHANGE**
	CONUS	$169,924	$175,174	–3.00	$1,634,676	$1,616,063	1.15
	OVERSEAS	36,958	38,265	–3.42	368,492	345,431	6.68
AIR FORCE	TOTAL	**206,882**	**213,439**	**–3.07**	**2,003,168**	**1,961,495**	**2.12**
	CONUS	118,230	123,795	–4.50	1,151,045	1,129,275	1.93
	OVERSEAS	44,310	45,360	–2.31	430,290	400,155	7.53
ARMY	TOTAL	**162,540**	**169,155**	**–3.91**	**1,581,335**	**1,529,430**	**3.39**
	CONUS	61,786	59,599	3.67	646,527	629,046	2.78
	OVERSEAS	6,760	6,958	–2.85	73,110	70,404	3.84
NAVY	TOTAL	**68,546**	**66,557**	**2.99**	**719,638**	**699,451**	**2.89**
	CONUS	13,814	14,892	–7.24	138,815	136,285	1.86
	OVERSEAS	309	361	–14.40	3,031	2,829	7.14
MARINE CORPS	TOTAL	**14,123**	**15,254**	**–7.41**	**141,847**	**139,114**	**1.96**
	CONUS	271	242	11.98	2,664	2,503	6.43
	OVERSEAS	335	284	17.96	2,918	3,021	–3.41
COAST GUARD	TOTAL	**606**	**526**	**15.21**	**5,582**	**5,523**	**1.07**
	CONUS	$364,025	373,702	–2.59	3,573,727	3,513,172	1.72
ALL	OVERSEAS	$88,672	91,228	–2.80	877,841	821,840	6.81
COMMISSARIES	TOTAL	**$452,697**	**$464,930**	**–2.63**	**$4,451,568**	**$4,335,012**	**2.69**
GROCERY STORES	*U.S.*[1]	*$26.429*	*25.369*	*4.18*	*257.066*	*245.735*	*4.61*

EXCHANGES

		OCTOBER			YEAR TO DATE		
		CY'88	**CY'87**	**% CHANGE**	**CY'88**	**CY'87**	**% CHANGE**
	CONUS	$293,336	$273,276	7.34	$2,751,122	2,592,857	6.10
	OVERSEAS	231,315	224,063	3.24	2,175,412	1,958,624	11.07
AAFES	TOTAL	**524,651**	**497,339**	**5.49**	**4,926,534**	**4,551,481**	**8.24**
	CONUS[2]	101,144	106,917	–5.40	1,010,613	936,300	7.94
	OVERSEAS[2]	40,665	44,660	–8.95	439,721	405,117	8.54
NAVY	TOTAL[2]	**141,809**	**151,577**	**–6.44**	**1,450,334**	**1,341,417**	**8.12**
	CONUS	32,008	31,332	2.16	300,954	291,649	3.19
	OVERSEAS	5,255	5,127	2.50	51,725	50,258	2.92
MARINE CORPS	TOTAL	**37,263**	**36,459**	**2.21**	**352,680**	**341,907**	**3.15**
	CONUS[3]	6,604	6,739	–2.00	64,837	66,160	–2.00
	OVERSEAS[3]	492	502	–1.99	4,830	4,928	–1.99
COAST GUARD	TOTAL[3]	**7,096**	**7,241**	**–2.00**	**69,666**	**71,088**	**–2.00**
	CONUS[4]	1,381	1,274	8.40	12,242	12,985	–5.72
	OVERSEAS[4]	2,281	2,112	8.00	19,656	21,674	–9.31
MAIL ORDER	TOTAL[4]	**3,662**	**3,386**	**8.15**	**31,898**	**34,659**	**–7.97**
	CONUS	$434,473	$419,538	3.56	$4,139,768	$3,899,951	6.15
	OVERSEAS	$280,008	$276,464	1.28	$2,691,344	2,440,601	10.27
ALL EXCHANGES	TOTAL	**$714,481**	**$696,002**	**2.66**	**$6,831,112**	**$6,340,552**	**7.74**
DEPARTMENT STORES	*U.S.*[1]	*$12.995*	*$12.433*	*4.52*	*$113.425*	*$108.521*	*4.52*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

NOTE: Distribution of sales by CONUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

ON THE SCENE AT THE ALA WESTERN CONFERENCE IN CALIFORNIA

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Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM
ARMY TIMES PUBLISHING COMPANY
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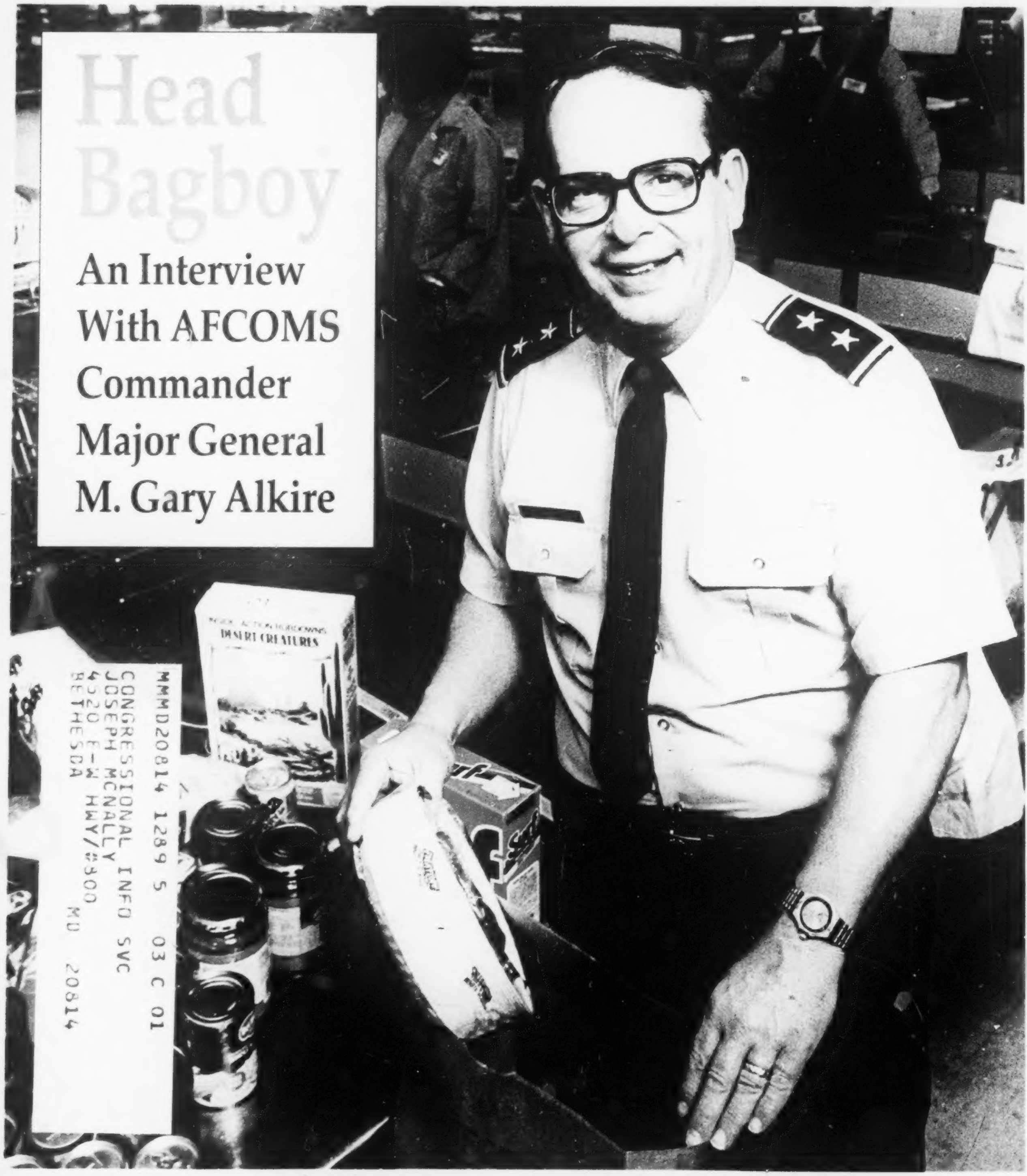
Head Bagboy

An Interview With AFCOMS Commander Major General M. Gary Alkire



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COVER DESIGN BY PAUL JORDAN: COVER PHOTOGRAPH BY BILL KALIS

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serving
the military
resale system

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Top Bag Boy

AFCOMS commander Major General M. Gary Alkire talks with Editor Nancy Tucker about how financial management gives AFCOMS so many stores, about distribution — and about the potential for centralized buying for Air Force commissaries.

STORE CONSTRUCTION

We use the authority given to us in 1984 of taking the surcharge account and putting it on a cash management basis. It has moved our construction program ahead four years.

Our surcharge account this year is $122 million — that's what we're going to take in. It pays for a lot of stores. It pays for modernization, it's the equipment maintenance, the paper bags and all that.

Prior to 1984, we really didn't manage our cash. We said, we're going to take in $122 million, and here's how we're going to spend it. We really didn't pay that close attention to that account, because a dollar not spent this year was available next year. We weren't tight budgeters.

But with cash management, you really pay attention. You budget your utilities monies tight, and you pay attention to the expenditure rates, because anything not spent goes into construction. And that's really paid dividends for us.

In the old days, our cash balances were going up. The Congress gave us contract authority. It solves the business of a growing cash construction backlog, which we had, and a treasury built up, because the treasury would build. We're the only service using contract authority.

Do the other services also have contract authority?

Yes, but they don't use it.

When we do our budgets, we figure out what we need for equipment and operating expenses first. By putting priority there, our major equipment problems are taken care of.

We take our budget and put it in the computer model, and we can project our payouts 'til the year 2000. At budget time, we sit here and ask a whole series of what ifs, so that we get our cash management plan to project our budget down to the gnat's eyebrow, what we think's going to happen. And we're getting pretty good at it, I think.

The other services have chosen not to do cash management contract authority for their own good reasons. That's the difference in what you see among the services for construction spending — cash management.

I've seen good discipline from the system, for our people to realize that that buck is an important buck. As we get down toward the end of the year, we start pushing money into construction.

What are the disadvantages to this?

I haven't found one.

Are the stores screaming and hollering because they don't have a lot of flex left at the end of the year?

They don't need it. A commissary officer has to manage his money tighter. He or she might say I've made life a little more complicated for them, because — in addition to having to pay attention to their inventory accounts and having to pay attention to their payroll accounts — now I'm making them pay attention to this account.

I say that's nothing more than just being a good manager in the late '80s. They need to be doing it. We need to be doing it.

DISTRIBUTION

I am very concerned that the civilian distribution system serving us in the U.S.A. is not doing a very good job. I'm not advocating a military system, but I'm saying that companies are losing a tremendous number of sales in our stores because the system they have is not working for them. I'm talking about deliveries that are bringing 85-90 percent of what we order. Sometimes bringing in 60 to 65 percent.

In too many places it's not what it ought to be. And I don't know the solution to that.

Are these companies which are direct delivering to your stores or companies using distributors?

I don't know. But I know this: That when a company on direct delivery goes out of stock at one of those stores, it's two weeks to a month before the next truck comes. So they're out of stock for two weeks to a month. The person on frequent delivery or distributor delivery may be out of stock less than that.

But in some stores, we don't have a lot of frequent delivery. They're way out in the middle — in eastern New Mexico, western Texas, and all up through the central United States, the northern

PHOTOS BY DOUG PENSINGER

Air Force Commissary Trust Revolving Fund Cash Management/Contract Authority
(in $ millions)

Fiscal Year	Construction Obligations	Contract Authority	Cash Balances
1981	$38.1		$49.4
1982	42.3		51.3
1983	31.7		66.7
1984	82.3	$22.0	86.9
1985	97.1	58.9	90.0
1986	36.6	31.9	56.6
1987	35.9	0.0	33.9
1988	62.0	0.0	37.9
1989	68.0	19.9	30.8
1990	52.0	0.0	28.9
1991	53.0	0.0	31.7

SOURCE: AFCOMS

tier bases. There's a lot of stores up there that are not being served very well.

So we can start there. We know that the company that uses frequent delivery has a better in-stock position over the long haul than the company that doesn't use frequent delivery.

And yet the takeover by Price Club of A.M. Lewis shows there's a danger in depending on a distributor.

The corollary to that is you cannot build your stores with warehouses sized to frequent delivery. You've got to build your stores with warehouses sized to the norm, because every now and then one of them has trouble. But you can't let that trouble mess up the whole system.

One of my basic philosophies is that we should have at least three distributors doing frequent delivery in any store. A little competition helps.

FORWARD BUYING

When we build a warehouse sized for regular delivery, and then we have a lot of frequent delivery, that's not bad. Because what we can do is do some forward buying, for products at good discounts, and continue a sale into the next month.

We don't do that as well as we ought to. I admit that. We just aren't doing it as often, as much, as we should.

Some people say you forward buy the wrong products.

We might be, and we might not be. Maybe the person who didn't have their product bought on forward buy might be saying that.

To some extent, you're forward buying low consumption commodity-type items — you get a special price on tuna fish so you load up on tuna fish. But often forward buys are done for high consumption, impulse-type items. They're add-on sales.

The region director and the store manager have to come down to a decision of value to the customer. Sometimes a high-moving, 10-percent reduction is better than a slow-moving, 20-percent reduction. And that's the decision they have to make.

Since forward buying is a new concept at AFCOMS, what are you doing to teach your people how to do it well?

The region directors are doing some of it. We're going to have all of the commissary officers together in May, and the focus of that is going to be on training. One of those sessions is going to be a primer on frequent delivery — not what is it, but some very specific down and dirty on how you need to work frequent delivery to get the most out of it for your store.

I've never signed up to the idea of smaller warehouses on the stores, because of the concern of what happened in California, what's happening up in the northeast, where a distributor wasn't doing well at one of our stores and most everything has dropped off frequent delivery.

You cannot assume that frequent delivery will always be there.

My point is, having sized a store that way — large — it's not nonproductive. Because if we do our forward buys right, we'll use the warehouse productively.

Another thing that we're playing with is, where we have some warehouse space, setting up a caseload buying area. For example, we might have a couple hundred items back there that are really deep discounts. They may or may not be in the main store, but you can come back in the warehouse and buy a case pack. I'm not sure we'll do it, but you can use the space for that. You say, give me the world's best price for paper towels. It might be like the answer to Sam Walton's Walmarts, you know?

It's an interesting concept. You'd have to watch your people, though, to make sure they weren't just buying stuff in order to fill that area.

You're right, it would have to be very deep discounts. There's not a lot of items — maybe a hundred. And what

☆ ☆

"Contract authority is the authority to use cashflow. You can see the cash balances we were building in the early '80s, before we got contract authority, because the payout doesn't start paying out that fast. 1984 was the first time we did it, and in '85 you see what we did with construction programs — really hitting it hard. You can see the cash balance coming down. Our goal is to get it down to $20 million. Once you go below $20 million, it's not that precise a thing. So how much do we have in the bank? About $30 million. That's not much."

---

was there this week might not be there next week. It's whatever had a good price on it.

Where we've done that, the intriguing thing that happens is the manufacturers of what's in the main store dropped their prices in some cases. It has an intriguing impact on lowering prices in the main store that we don't understand yet. So we need to play with that to see how it goes.

OVERSEAS DISTRIBUTION

In the past, you've said you feel that U.S. distributors can reduce overseas ship time.

It seems to me that we have two overseas distribution cases.

One case is Northern Europe, where you've got in Germany and in England a large number of stores generally concentrated.

Then the second case is the Mediterranean, and similar to it is the Pacific, where you have a large number of stores spread all over the place. The Pacific and the Mediterranean are different in that the Pacific tends to be higher volume stores than the Med, which is a whole bunch of small stores.

I think the answer to those two cases is different.

Take the case of the Mediterranean and Pacific stores. We send the orders from Turkey into Robins AFB; we'll do that more efficiently a year from now. A distributor can get that order and pump it out that night to the port, and just cut the distribution time to smithereens, and do it very efficiently.

The problem is getting the product to the port in the least amount of time and getting it on its way. And that's where we truly save time on Turkey — all we did was eliminate the front-end time. Here's the order, fill it, and get rid of it. A modern U.S. distributor that's on the East Coast ought to be able to do that — it's a piece of cake.

Now, in Northern Europe, the case may be different. I don't prejudge that. It looks like to me you've got some different cases there. For example, in Germany we've got big stores with big warehouses already. We've got some small stores near them. Maybe we need to service that small store from a big store.

We do that very neatly here in San Antonio — we have Kelly, Lackland, and Brooks all tied together. There is no Kelly warehouse. There is no Brooks warehouse. They make their order, put it on a modem, send it into Lackland, and it's delivered. We have, in essence, a San Antonio distribution system.

Where you've got a lot of smaller stores, maybe you need a distribution center. I don't know about all that.

We need to let the study that the Army is running proceed. But I really think a lot of our problem can be solved by a U.S. distributor.

What about the Pacific?

We're going to try and do Guam like we've done Turkey. I hope to have that running by this time next year. What we're doing now is getting ourselves settled in on the West Coast and find out where we want to run it from. The McClellan warehouse may not be big enough to do that. We're still sorting that out.

The key to that is the arrangement for the containers. The Air Force runs a container facility at Robins AFB. It ships through Robins all the parts and pieces that can go by surface transportation. So, they just arrange for a few more containers.

McClellan does the same thing on the West Coast. So, it's just a matter of making an arrangement with them and sorting out the financing and the contracting.

AUTOMATION AND CENTRAL PRICING

We do price management every day in every region. That's pretty much an administrative process. We can just as well do it once.

We won't eliminate price management in the region.

What we'll be doing is putting in the national sale prices or the zone prices; we have to have a system that recognizes zone prices. We'll be putting in the prices the companies give us. The regions will still have to feed in the region prices, and any local contracts they have and things like that — bread and milk and all that stuff.

We figure we can save 15 to 20 jobs.

It ought to make it easier for industry to work with us. We ought to be able to take price changes electronically, so industry can feed it to us electronically and not have to rely on paper.

We say it's going to be going by next summer, but it's probably going to be fall before it's running at full steam.

Everything on the supply bulletin will be controlled through here. If a region can negotiate a lower price, then they will change the price in their region. They'll have the capability to lower the price.

Then they'll let you know they got a lower price, and you'll strongarm the salesperson to get that price nationally.

Oh, we might do that.

If a store manager, a commissary officer, can work a lower price than his region, it just goes in. If you get a lower price for a single store, then the region can put the price into that store.

It's going to take out all that administrative trivia.

Something is happening in AFCOMS that one of your predecessors told me would never happen — that you would never have a big number cruncher at AFCOMS headquarters. But now you've got enormous computer capacity. You're going to have central file maintenance. You've got a group of product managers who look remarkably like buyers — or who could be turned into buyers like at the headquarters of any supermarket chain. You've got the ability to do almost all of your buying — except for your regional and local stuff — right here at the headquarters.

The reality is the commissary officer. We can't buy for the stores.

But you're getting to the point where you can. ACOS will let you do that and CAMI will let you do that. Within a couple of years, you will have the capacity to find out at this headquarters what's sold in a particular store three hours after it's sold. If you know that for all of your stores and you can tell your product managers that information, why can't they do the buying for all your stores?

That capability is not there today.

But you could get it.

Could we get it? Yes, we could. But right now I would like to think I have a wall built so that we cannot watch store operations.

Now, we can dial into any store. We do that from the computer side to help with problems. But as far as dialing into a store and watching consumption or operations? We don't have the people up here to do that. I've carefully made sure that we don't have that many people.

You've got 85-percent accuracy in your inventory records now.

But what we don't have here is the feel from 100 commissary officers as to what's going to happen with a given discount or the given differences in their communities.

We don't know what's going to be true five to 10 years from now. You know, five years ago, we didn't have what we do now. We didn't have a mainframe in this building. Right now, I've got four rooms full of them.

We believe the commissary officer has to be responsible for the order and the management of the inventory.

It would be very simple in Turkey to get his inventory on the computer at Robins and ship replacements. But then that removes from that person the responsibility to have the right product, to have the inventory.

A commissary officer has to be responsible for his inventory and his order. That has to be there. And I don't see that changing. Ten years from now it could change. You can't ever say never.

You've got the infrastructure built to do it.

Yes, but we didn't build it to do that.

No, but that's what's happening.

We've got eight product managers down the hall, if we'd ever get them all hired. They keep moving; they get promoted.

They're cast to be experts in their commodity so that we have a better chance of working on a professional relationship with companies that come in offering discounts on products.

What we have done with them is we've developed a master stock list, and I don't think that list ought to get much bigger than it has — 4,000 items is big enough.

I can see them doing those kinds of things. But we're nowhere near the ability to do that kind of work. We are nowhere near it. The central price maintenance is nothing more than an administrative function. All we've done is simply centralized an administrative function. The leadership and management functions have got to stay in the trenches.

Can you centralize your payments?

Interesting you mention that . . . .

In the Air Force, the finance centers pay the commissary bills. The commander of the finance center and I now meet three or four times a year. We are going to pick a base and we are going to put into that base the hardware and software to electronically push that base as far as it will go — electronically order, electronically receive, electronically invoice, electronically pay. Do the whole thing, and find out what's there.

So, we're thinking about it. We see where it's easy to do that. And the savings to the Air Force are in the finance offices. The savings are to us in fewer administrative people in the background.

When do you think you'll have this test up?

It's going to take a long time.

How long is a long time? Will you see it while you're here?

I hope so.

SHELFSTOCKING

I don't see it as an issue.

The only place we could find that we were not getting vendor shelf stocking was health and beauty aids. We were looking at rackjobbers.

In the course of looking at the rackjobbers, the industry decided that they would rather stock it themselves than have us go to a rackjobber.

So, we sense that that issue has disappeared. If it hadn't, we would have to go back to rackjobbers. Rackjobbers are expensive, but they have a lot of benefits to them.

As long as industry steps forward and does it, then we don't have to worry about it. **MM**

MERCHANDISING

Over 30, Barbie signs up for the Army

AAFES buyers have negotiated with Mattel Corp. to introduce a new Army Barbie doll.

The doll, which will debut next spring, will be sold exclusively in Army and Air Force exchanges and collector's shops for one year. After that, the doll will be marketed to the general retail trade.

Captain Barbie will wear a replica of the authentic Army dress uniform. She will retail for $14.95 in exchanges.

In other AAFES toy news, it seems Santa wasn't the only one busy last Christmas. AAFES toyland sales jumped last year.

Sales increased $1 million between February and December, well over the figure for the full calendar year 1987, according to toy buyer John Akridge.

"Our toy sales have always increased a great deal every year," added toy buyer Joyce Marrow.

AAFES buyers attribute the healthy figures to effective inventory management, including a better selection of goods and a wider stock of top selling items, said Akridge.

Also, exchanges opened their toylands in September — much earlier than in previous years — to encourage patrons to get an early start on their holiday shopping.

Some of the best-selling toys in exchanges are also popular among civilian retailers. These included Micro Machines, Ghostbuster figures, Starting Line-Up sports figures, Hot Wheels Color Racers, Nintendo and the ever-popular Barbie.

TSA's western region has new presentation policy

The Western Commissary Region of the Troop Support Agency has instituted a new policy for new item presentation.

The original policy, dated Jan. 1, 1989, was misinterpreted by manufacturers, so the region will send out a clarified version toward the end of February or early March.

Gloria Ellis, chief of the logistics management branch, told MILITARY MARKET that the policy allows for no more than three product lines to be presented during one interview with a commissary officer. New items can be presented anytime, provided the representative makes an appointment with the commissary officer.

WECOR will conduct total commodity reviews according to a cyclical schedule, Ellis said. The schedule will be published along with the notice, but was unavailable at press time. Each commodity group will be reviewed once a year.

Although the original notice stated that items must be on the Master Item Identification List (MIIL) and the Regional Authorized Item List (RAIL) before they can be presented, that is not the policy, Ellis explained.

Items need *only* be on the RAIL (WECOR's authorized item list) to be presented. Although WECOR asks that an item be placed on the MIIL as soon as the region approves it, this often takes time. Therefore, manufacturers do not have to wait for MIIL approval.

Ellis said that the new policy will make it easier for commissary officers as they hear presentations, and it will allow representatives to present their top lines.

"A lot of companies will bring a lot of products in and it takes up so much time," Ellis said, as justification for the new policy.

The new policy, in its intended form, is still considered effective as of Jan. 1.

Coupon use is up in commissaries

Coupon use and average face value rose in most commissary systems during fiscal 1988.

The Troop Support Agency reports that usage increased by 13 percent compared with fiscal 1987. Usage was also up 13 percent in the Marine Corps, but average face value declined from 31.9¢ to 31.8¢.

Air Force Commissary Service figures show that coupon use was up 9.2 percent in its stores. Average face value was up from 46.5¢ in fiscal 1987.

AFCOMS data shows that face value has risen steadily during the '80s. In fiscal 1982, average face value was 23.7¢; in fiscal 1983, it jumped to 27.1¢. Between fiscal 1983 and fiscal 1986, as coupons began appearing on cigarette cartons, the average face value jumped to 40.3¢. In fiscal 1987, the average face value jumped again, from 40.3¢ to 46.5¢.

Fiscal 1988 Coupon Redemptions in Commissaries

	No. redeemed	$ value	Avg. face value
AFCOMS	116,973,805	$56,647,785	48.4¢
Marine Corps	6,956,526	2,210,235	31.8¢
NAVRESSO	38,358,198	13,338,547	34.7¢
TSA	77,600,000	39,381,737	50.7¢

SOURCE: AFCOMS, USMC, NAVRESSO, TSA

Military Market index

COMMISSARIES

		NOVEMBER			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$173,957	$149,558	16.31	$1,808,633	$1,765,621	2.44
	OVERSEAS	38,188	29,647	28.81	406,679	375,078	8.43
AIR FORCE	TOTAL	**212,145**	**179,205**	**18.38**	**2,215,312**	**2,140,699**	**3.49**
	CONUS	118,440	108,990	8.67	1,269,485	1,238,265	2.52
	OVERSEAS	44,205	40,635	8.79	474,495	440,790	7.65
ARMY	TOTAL	**162,645**	**149,625**	**8.70**	**1,743,980**	**1,679,055**	**3.87**
	CONUS	65,389	62,632	4.40	711,916	691,678	2.93
	OVERSEAS	7,069	6,767	4.46	80,180	77,171	3.90
NAVY	TOTAL	**72,458**	**69,399**	**4.41**	**792,096**	**768,850**	**3.02**
	CONUS	14,349	12,485	14.93	153,164	148,770	2.95
	OVERSEAS	323	275	17.45	3,355	3,105	8.05
MARINE CORPS	TOTAL	**14,672**	**12,761**	**14.98**	**156,519**	**151,875**	**3.06**
	CONUS	277	250	10.80	2,941	2,753	6.83
	OVERSEAS	244	331	−26.28	3,162	3,352	−5.67
COAST GUARD	TOTAL	**521**	**581**	**−10.33**	**6,103**	**6,105**	**−0.03**
	CONUS	$372,412	$333,915	11.53	$3,946,139	$3,847,087	2.57
ALL	OVERSEAS	$90,029	$77,655	15.93	$967,871	$899,496	7.60
COMMISSARIES	TOTAL	**$462,441**	**$411,570**	**12.36**	**$4,914,010**	**$4,746,583**	**3.53**
GROCERY STORES	*U.S.*[1]	*$25.961*	*$23.947*	*8.41*	*$282.891*	*$269.682*	*4.90*

EXCHANGES

		NOVEMBER			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$306,714	$295,080	3.94	$3,057,836	$2,887,937	5.88
	OVERSEAS	232,359	230,208	0.93	2,407,770	2,188,831	10.00
AAFES	TOTAL	**539,072**	**525,287**	**2.62**	**5,465,606**	**5,076,768**	**7.66**
	CONUS[2]	133,009	110,561	20.30	1,143,622	1,046,861	9.24
	OVERSEAS[2]	54,654	44,842	21.88	494,375	449,959	9.87
NAVY	TOTAL[2]	**187,662**	**155,403**	**20.76**	**1,637,997**	**1,496,820**	**9.43**
	CONUS	34,782	32,266	7.80	335,737	323,915	3.65
	OVERSEAS	5,252	5,424	−3.17	56,977	55,683	2.32
MARINE CORPS	TOTAL	**40,034**	**37,690**	**6.22**	**392,714**	**379,598**	**3.46**
	CONUS[3]	7,121	7,266	−2.00	71,958	73,426	−2.00
	OVERSEAS[3]	530	541	−2.03	5,360	5,469	−1.99
COAST GUARD	TOTAL[3]	**7,651**	**7,807**	**−2.00**	**77,317**	**78,895**	**−2.00**
	CONUS[4]	1,541	1,829	−15.75	13,783	14,815	−6.97
	OVERSEAS[4]	2,622	2,974	−11.84	22,278	24,648	−9.62
MAIL ORDER	TOTAL[4]	**4,163**	**4,803**	**−13.33**	**36,061**	**39,462**	**−8.62**
	CONUS	$483,167	$447,002	8.09	$4,622,936	$4,346,954	6.35
	OVERSEAS	$295,417	$283,989	4.02	$2,986,760	2,724,590	9.62
ALL EXCHANGES	TOTAL	**$778,584**	**$730,991**	**6.51**	**$7,609,696**	**$7,071,544**	**7.61**
DEPARTMENT STORES	*U.S.*[1]	*$15.799*	*$14.685*	*7.59*	*$129.231*	*$123.206*	*4.89*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.
NOTE: Distribution of sales by CONUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

SPECIAL REPORT: BROKERS SLOWLY PRIVATIZE THE SYSTEMS

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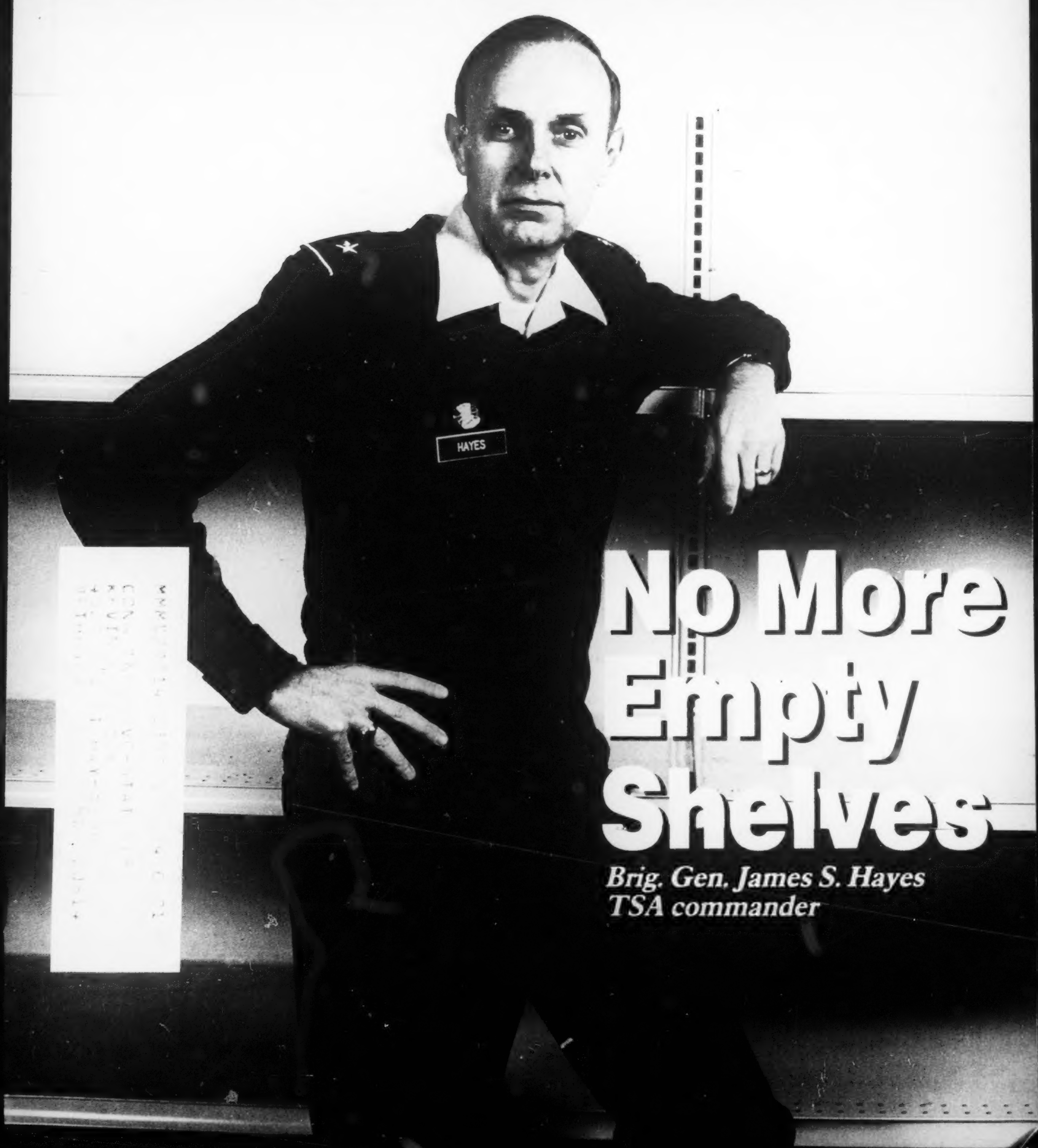
4/10/89

Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM
ARMY TIMES PUBLISHING COMPANY APRIL 1989 $4.00



No More Empty Shelves

Brig. Gen. James S. Hayes
TSA commander

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COVER PHOTOGRAPH BY RICH MASON

Military Market
MAGAZINE
*serving
the military
resale system*

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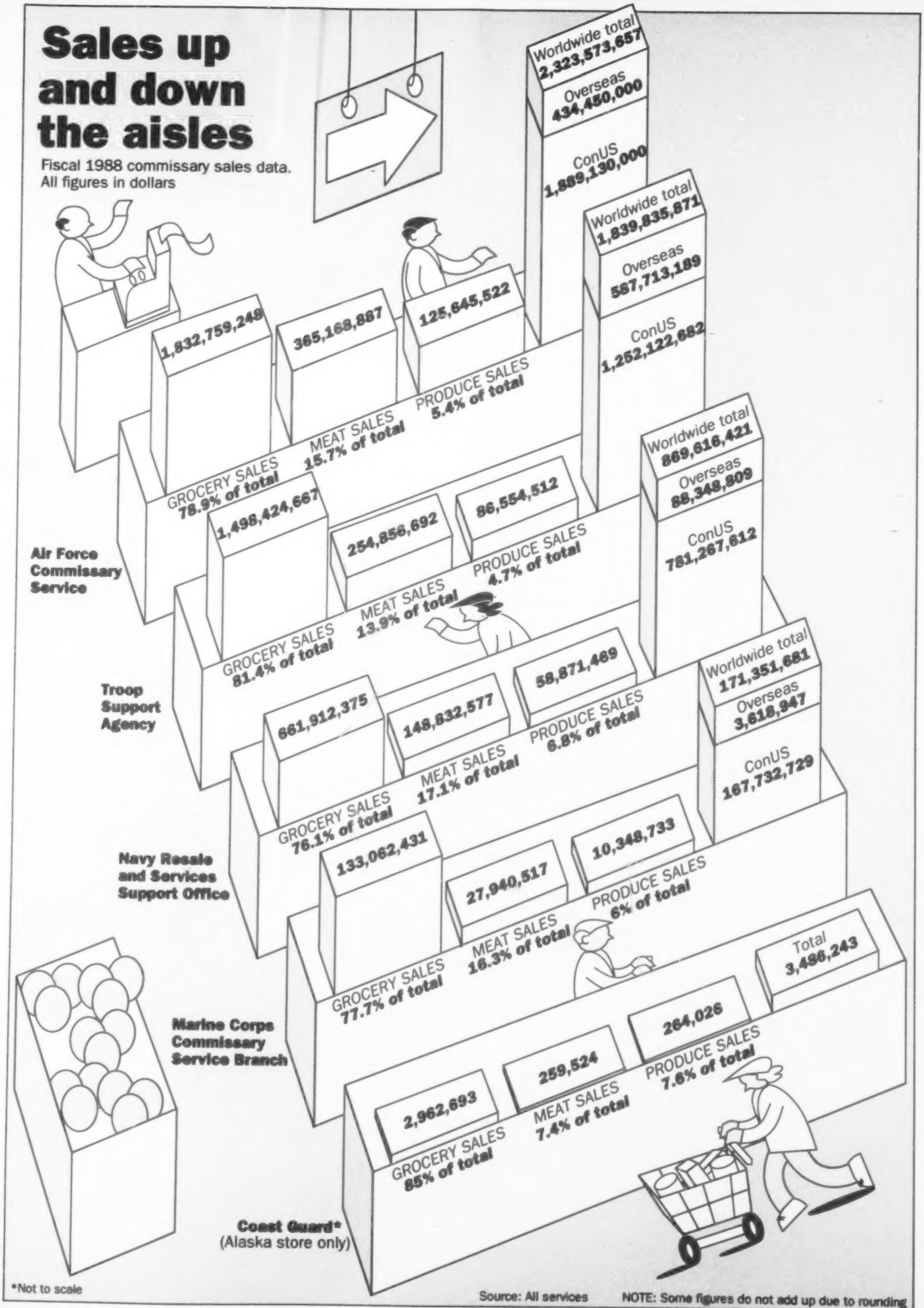
MILITARY MARKET (USPS 311-[illegible]) [illegible]

Sales up and down the aisles

Fiscal 1988 commissary sales data.
All figures in dollars



*Not to scale

Source: All services

NOTE: Some figures do not add up due to rounding

Marty Baumann

Army & Air Force Exchanges' Million-Dollar Suppliers

This is a list of 622 suppliers who did $1 million or more worth of business with the Army and Air Force Exchange Service during fiscal 1988, which ran from Jan. 26, 1988 through Jan. 23, 1989.

Companies are listed in order of their total dollar volume with AAFES headquarters. Payments made by AAFES-Europe or AAFES-Pacific are excluded. Also excluded are payments made to foreign vendors in foreign currencies and manual payments of any nature. The list also excludes payments for uniforms and accessories procured through the Defense Personnel Support Center; these were $129.5 million during Fiscal 1988.

The source of this information is official AAFES records.

1	Mansfield Oil Co.	$59,765,598.05
2	Philip Morris Inc.	40,259,027.51
3	Kodak Processing Lab	36,166,599.79
4	Metallgesellschaft Corp.	29,110,264.21
5	Revlon Intl.	25,640,076.41
6	Beverages Foods & Svc.	24,262,586.75
7	Distron Dist. Ctr.	23,672,279.05
8	Robert Tabakow Inc.	23,421,296.22
9	R.J. Reynolds Tobacco Co.	21,862,078.51
10	Commodore Business Mach.	21,645,998.28
11	WEA Corp.	20,987,768.76
12	Coca-Cola Export Corp.	20,936,658.90
13	Procter & Gamble Dist.	19,407,274.44
14	Frito-Lay Inc.	19,377,429.33
15	RCA Solid State	19,289,797.76
16	Plus Mark Inc.	19,094,951.26
17	Conoco Inc.	18,993,538.81
18	Levi Strauss & Co.	18,272,336.08
19	Gasco Gasoline Inc.	17,981,800.50
20	Anheuser-Busch Inc.	17,755,953.64
21	Apple Computer Inc.	17,533,943.54
22	Panasonic West Inc.	16,803,515.68
23	Softkat Inc.	16,379,407.67
24	General Electric Co.	14,361,615.98
25	Radio Shack Div.	14,103,239.52
26	Hallmark Cards Inc.	14,039,941.45
27	Exxon Co. USA	14,038,753.08
28	Rose & Sons Inc.	13,893,979.40
29	Gale Barstow Inc.	13,736,725.55
30	M&M Mars	13,698,186.65
31	Johnson & Johnson	13,134,373.05
32	Promana Inc.	12,993,758.35
33	Jockey Intl.	12,795,884.55
34	Kraft Retail Food Gp.	12,049,162.52
35	Kangaroos USA Inc.	12,009,667.74
36	BP Oil Inc.	11,983,517.19
37	CBS Records	11,800,288.20
38	Annedeen/Reebok	11,606,076.68
39	MCA Records Dist. Corp.	11,456,070.94
40	Nabisco Brands Inc.	11,189,839.77
41	Kenwood Electronics Inc.	11,023,152.72
42	Black and Decker	10,920,258.82
43	Acme Boot Co. Inc.	10,761,325.87
44	Artex Mfg. Co. Inc.	10,685,539.19
45	The Gillette Co.	10,502,053.60
46	Goodyear Intl. Corp.	10,477,820.27
47	Weintraub Bros. & Co.	10,466,440.03
48	Sharp Electronics Corp.	10,174,449.16
49	Liz Claiborne Inc.	10,054,240.92
50	Polaroid Corp.	10,038,683.08
51	Sony Corp. of America	9,842,338.27
52	Michelin Tire Corp.	9,468,011.77
53	Fisher-Price Toys	9,401,768.74
54	Brown & Williamson	9,352,772.33
55	M. Fabrikant and Son	9,322,253.69
56	Pioneer Electronics Inc.	9,187,527.24
57	Bose Corp.	9,167,162.47
58	Champion Products Inc.	9,121,836.23
59	Brigade Brands Ltd.	9,034,275.09
60	BASF Systems Corp.	8,980,895.60
61	Monarch Crown Corp.	8,915,064.70
62	Nike Inc.	8,708,605.15
63	Hershey Chocolate Co.	8,640,091.95
64	Springs Ind. Inc.	8,621,844.31
65	Mattel Toys	8,513,394.52
66	Hanes Hosiery	8,358,098.31
67	Estee Lauder Intl. Inc.	8,127,935.95
68	Manhattan Store	8,097,690.00
69	U.S. Tobacco Co.	7,989,311.15
70	Capitol Records Inc.	7,881,020.65
71	JVC Company of America	7,795,161.55
72	Zenith Electronics Corp.	7,764,158.22
73	Aetna Life & Casualty	7,662,230.53
74	Sysco Food Systems	7,661,977.98
75	Cannon Mills	7,617,892.29
76	Texaco Inc.	7,507,812.83
77	Sysco Food Services Inc.	7,496,098.97
78	Pan American Dia Corp.	7,452,725.26
79	Balfoor Inc.	7,346,350.30
80	C. Lloyd Johnson, Co., Inc.	7,291,272.41
81	Rubbermaid Inc.	7,198,963.72
82	Eveready Battery Co.	6,942,928.77
83	First Brands Corp.	6,834,879.64
84	Lorillard Inc.	6,704,978.96
85	MTD Products Inc.	6,610,678.01
86	Wolverine World Wide	6,538,149.13
87	Casio Inc.	6,496,250.18
88	Esprit de Corp.	6,450,358.40
89	Stuart Hall Co. Inc.	6,441,862.05
90	Nabisco Brands Inc.	6,409,457.12
91	Calvin Klein	6,350,339.80
92	Elizabeth Arden	6,332,513.80
93	Tesoro-Alaska	6,213,911.47
94	Corning Glass Works	6,161,810.26
95	Hoover Co.	6,119,862.17
96	John K. Kealy Co.	6,058,759.08
97	Huffy Corp.	5,855,022.86
98	Kimberly-Clark Corp.	5,766,007.82
99	Baskin Robbins Inc.	5,740,257.99
100	Polygram Dist. Inc.	5,732,160.59
101	Wick Construction Co.	5,697,488.56
102	Minnesota Mining Mfg. Co.	5,675,971.42
103	ARA Services	5,573,249.12
104	Playtex Inc.	5,563,146.02
105	Union Bay Sportswear Ltd.	5,489,445.52
106	Miller Brewing Co.	5,440,118.73
107	Stedman Corp.	5,395,349.51
108	Belcher Oil Co.	5,375,415.28
109	Ira Green Inc.	5,338,328.19
110	Military & Spec. Markets	5,329,404.45
111	Chevron Chemical Co.	5,326,588.95
112	Freeman Shoe Co.	5,279,954.25
113	Maidenform Intl. Ltd.	5,259,502.61
114	Cove Shoe Co.	5,245,381.50
115	Tysons Foods Inc.	5,225,403.08
116	Capital Mercury Shirt	5,111,472.72
117	Brown Shoe Co.	5,092,333.21
118	Haggar Co.	5,092,066.12
119	Colgate Palmolive Co.	4,864,211.17
120	Little Tikes	4,861,377.68
121	Dr. Pepper Bev. Sales Co.	4,828,379.63
122	London Star Limited	4,814,050.84
123	Hasbro Bradley Inc.	4,783,355.44
124	American Tobacco Co.	4,774,823.92
125	AT&T Consumer Products	4,771,122.13
126	Quaker Oats Co.	4,762,955.41
127	Max Factor-Puerto Rico	4,718,804.59
128	Allied-Sysco Food	4,710,060.50
129	Kraft Inc.	4,644,701.44
130	Berkline Corp.	4,644,180.53
131	H. Cotler Co. Inc.	4,637,992.25
132	Liggett & Myers Tob. Co.	4,621,626.22
133	Seven-Up Enterprises	4,594,852.22
134	Samsung Electronics	4,588,618.69
135	Nintendo of America, Inc.	4,562,355.17
136	Nobel-Sysco Food Svc. Co.	4,554,997.76
137	Amdahl Corp.	4,538,964.37
138	Minolta Corp.	4,491,526.82
139	Gucci America Inc.	4,482,142.29
140	Fieldcrest Mills Inc.	4,477,761.96
141	Original Designs Inc.	4,469,800.86
142	Smith-Corona	4,438,460.64
143	Finance & Acct. Office	4,354,138.43
144	Retail Fragrance Div.	4,342,677.43
145	Jacobs Suchard/Brach	4,335,131.46
146	Action Industries Inc.	4,307,522.46
147	Armstrong World Ind., Inc.	4,296,202.04
148	Gold Star Electronics	4,277,854.67
149	Oscar Mayer & Co.	4,243,518.87
150	N.S. Meyer Inc.	4,239,398.53
151	Vanguard Mil. Equip. Corp.	4,215,735.64
152	Oroamerica	4,207,065.12
153	Audiovox Corp.	4,188,212.08
154	Timex Corp.	4,187,749.95
155	Quaker State Corp.	4,164,890.57
156	Oster Corp.	4,147,402.38
157	Intercraft Industries Corp.	4,140,413.46
158	Gitano	4,114,574.69
159	Carnation Co.	4,099,800.71
160	Exide Corp.	4,065,052.88
161	Samsonite Furniture Co.	4,055,220.13
162	S.C. Johnson & Son, Inc.	4,037,939.57
163	General Services Admin.	4,036,994.09
164	Canon USA Inc.	4,035,231.35
165	Poulan/Weed Eater	4,023,257.57
166	Tracy Oil Co. Inc.	4,022,314.72
167	Whirlpool Corp.	3,999,995.08
168	Airway Ind. Inc.	3,989,546.90
169	Birchwood Meat & Prov.	3,968,703.15
170	Magnavox Corp.	3,961,006.75
171	Sanyo Electric Inc.	3,957,890.34
172	Sunbeam Leisure Prod. Co.	3,929,144.09
173	NCR	3,923,039.82
174	Pendleton Woolen Mills	3,858,823.82
175	Geo. A. Hormel & Co.	3,829,595.11
176	Lighthouse for the Blind	3,811,509.58
177	L'Oreal	3,777,497.14
178	Richardson-Vicks Inc.	3,724,861.80
179	Playskool Inc.	3,722,706.80
180	Armour and Co.	3,715,751.48
181	Vanity Fair Mills Inc.	3,712,325.46
182	Milton Bradley Co.	3,664,811.65
183	Continental Baking Co.	3,663,160.32
184	Carver Corp.	3,654,020.57
185	Almet/Lawnlite	3,645,752.10
186	Kiwi Polish Co. USA Div.	3,603,551.97
187	Value Slacks Inc.	3,600,035.05
188	General Foods Corp.	3,596,742.11
189	Lee Co.	3,570,799.31
190	Sonoco Products Co.	3,568,147.35
191	Aircap Ind. Corp.	3,564,569.49
192	Kellogg Sales Co.	3,525,578.66
193	Fisher Corp.	3,503,749.08
194	Arrow Co.	3,408,538.52
195	Russell Corp.	3,402,004.73
196	Coleman Co.	3,381,227.89
197	Infinity System Inc.	3,379,316.45
198	Pennex Products Co., Inc.	3,363,876.73
199	Mobil Oil Credit Corp.	3,340,361.17
200	M.J. Soffe Co. Inc.	3,330,706.30
201	Remington Products, Inc.	3,276,241.36
202	Campbell Soup Co.	3,203,316.36
203	Lever Bros Co.	3,203,053.43
204	Keebler Co.	3,193,902.87
205	Digital Equip. Corp.	3,187,170.85
206	Chesebrough-Ponds, Inc.	3,164,492.13
207	Burlington Ind. Inc.	3,145,901.30
208	Oshkosh B'Gosh Inc.	3,142,235.30
209	Con Agra	3,086,123.83
210	General Motors Corp.	3,069,821.38
211	Davis Clothing Co.	3,066,031.32
212	Bethco Fragrances Inc.	3,060,454.50
213	Oneida Ltd.	3,056,513.23
214	U.S. Oil Co. Inc.	3,047,362.48
215	JBL Professional	3,040,682.72
216	Goody Products Inc.	3,037,147.87
217	Wadman Corp.	3,003,181.28
218	Swift-Eckrich Inc.	2,999,253.85
219	U.S. Army Finance & Acct.	2,989,161.60
220	Magicolor Paint Co.	2,924,523.36
221	Brigade Quartermasters	2,901,677.04
222	Izod/Lacoste Menswear	2,897,612.78
223	Pennzoil Co.	2,892,147.25
224	Mag Instrument Inc.	2,885,746.90
225	Nestle Foods Corp.	2,866,134.86
226	Riverside Furniture	2,865,437.26
227	Sealy Mattress Co.	2,861,249.59
228	London Fog	2,850,192.46
229	Martin Mfg.	2,844,920.68
230	Danal/Access Assoc., Inc.	2,835,716.55
231	Harry Sugerman Inc.	2,821,568.52
232	Farrah Mfg. Co.	2,817,548.78
233	Consumer Products Div.	2,801,187.23
234	Mennen Co.	2,788,061.16
235	Eureka Co.	2,760,383.34
236	Verdi Travelware Inc.	2,743,640.86
237	S.W.S. Garment Inc.	2,733,533.43
238	Skil Corp.	2,707,271.62
239	Bush Industries Inc.	2,706,325.35
240	Fashion Fair Cosmetics	2,696,681.09
241	The Buschman Co.	2,691,735.30
242	Swarovski America Ltd.	2,680,399.23
243	Union Underwear Co.	2,673,299.87
244	Bicycle Corp. of America	2,667,530.98
245	Maxell Corp. of America	2,665,730.07
246	Armour Food Co.	2,643,979.70
247	Goebel United States	2,639,751.59
248	Texas Instruments	2,628,750.83
249	Atlas Chain Co.	2,580,070.59
250	Monet Jewelers Inc.	2,569,002.54
251	Wm. Wrigley Jr. Co.	2,566,557.28
252	Carter-Wallace Inc.	2,561,737.49
253	William Carter Co.	2,554,994.55
254	Weber-Stephen Prod. Co.	2,539,193.25
255	Hitachi Sales Corp. Amer.	2,538,323.29
256	Goodmark Foods Inc.	2,536,020.52
257	Polk Audio Inc.	2,527,106.56
258	Rival Mfg. Co.	2,524,526.22
259	Kirsch Co.	2,507,540.65
260	IBM Corp.	2,501,261.81
261	Yves Saint Laurent	2,495,248.33

262	Lasko Metal Products	2,495,014.91
263	Bulova Watch Co. Inc.	2,475,799.17
264	Yamaha Music Corp.	2,474,568.52
265	Fabil Mfg.	2,452,185.50
266	Lenox Inc.	2,445,128.03
267	Megastar Apparel Group	2,438,620.81
268	Philips Consumer Elect.	2,433,592.08
269	New Balance Athletic	2,378,169.97
270	Dexter Shoe Co.	2,376,083.36
271	The Stroh Brewery Co.	2,350,040.64
272	Moore Business Forms	2,349,832.64
273	Health-Tex Inc.	2,346,054.69
274	Mid-Central/Sysco Food	2,339,220.91
275	Whitehall Laboratories	2,338,486.05
276	Waterford Crystal	2,334,929.21
277	Chemexec Relocation Sys.	2,314,781.02
278	Singer Sewing Co.	2,308,011.19
279	Beecham Products	2,297,939.10
280	Imperial World Inc.	2,292,169.08
281	Mikimoto America Co., Ltd.	2,271,985.59
282	Polo Fashions Inc.	2,242,950.65
283	Nabisco Brands Inc.	2,222,705.95
284	Toastmaster Inc.	2,216,363.03
285	A&M Records	2,215,918.75
286	Jensen Sound Labs	2,207,133.06
287	Grow Group Inc.	2,201,222.29
288	Fisher Nut Co.	2,202,369.43
289	Parker Pen Co.	2,201,027.68
290	Adidas Dist. Central	2,184,484.85
291	9-West	2,176,784.91
292	Black Hills Jewelry Mfg.	2,175,444.94
293	Citicorp Diners Club	2,138,610.11
294	Parfums Stern Inc.	2,135,080.50
295	Etonic Inc.	2,130,993.80
296	Cosco Inc.	2,126,621.64
297	Russ Togs Inc.	2,124,817.92
298	Bullfrog Knits Inc.	2,123,551.61
299	Food Services of Amer.	2,116,145.74
300	Shulton Inc.	2,099,346.93
301	Smoke Craft Inc.	2,098,312.66
302	Sweda Intl.	2,094,616.91
303	Ekco Housewares Co.	2,086,770.29
304	Pentax Corp.	2,080,458.04
305	Wilton/Copco	2,073,810.85
306	Wemco Inc.	2,058,150.99
307	Chic Hosiery Corp.	2,055,201.18
308	Bali Co.	2,053,576.91
309	Sherling Enterprises	2,052,676.73
310	Borden Inc.	2,050,857.56
311	Hatchell Graphics	2,047,823.28
312	R.R. Donnelley and Sons	2,044,528.75
313	Town & Country	2,037,008.59
314	J.L. Prescott Co.	2,033,548.57
315	General Mills Inc.	2,020,157.56
316	Hann Isles Distributors	2,017,824.48
317	Dependable Rug Mills	2,013,643.21
318	L'Eggs Products	2,003,467.91
319	Neptune Garment Co.	1,997,218.69
320	CWS Construction Co., Inc	1,995,748.21
321	Master Lock Co.	1,986,802.89
322	Sinclair Marketing Inc.	1,968,978.70
323	Plough Inc.	1,961,254.18
324	Randolph Engineering Inc.	1,945,763.40
325	Lee Lewis Gen. Cont., Inc.	1,941,049.80
326	Parker Brothers	1,931,808.26
327	Hamilton Beach	1,926,804.02
328	R.T. French Co.	1,925,172.15
329	Weil Ceramics & Glass	1,911,340.57
330	1928 Jewelry Co.	1,898,601.98
331	Maybelline	1,887,865.85
332	R.T. Cross Co.	1,878,166.06
333	Army Times Publishing Co.	1,875,229.05
334	The Rockport Co.	1,871,664.33
335	Bausch & Lomb	1,863,957.79
336	O'Sullivan Ind. Inc.	1,863,106.63
337	Tonka Corp.	1,856,942.00
338	Kenner Products	1,825,053.80
339	Best Foods	1,821,994.69
340	Core-Marx Distributors	1,818,603.07
341	S. Lichtenberg & Co. Inc.	1,816,273.83
342	Buster Brown Apparel	1,812,312.90
343	Ban Wholesale Corp.	1,810,560.86
344	Pillowtex Corp.	1,809,934.81
345	Blauer Mfg. Co.	1,800,797.81
346	St. Ives Labs Inc.	1,800,293.94
347	Hall Laboratories	1,793,916.18
348	E&J Gallo Winery	1,786,475.81
349	Wearever-Proctor Silex	1,772,919.28
350	Harris & Harris Assoc.	1,765,790.33
351	Hyponex Corp.	1,761,877.67
352	Members Only	1,754,492.25
353	I-Ski Skiglasses	1,749,059.56
354	Colorcraft	1,735,158.69
355	Soft Care Apparel Inc.	1,722,583.89
356	Burman-Castrol Inc.	1,722,579.33
357	Tape Specialty	1,721,244.18
358	O.M. Scott & Sons Co.	1,714,677.52
359	Sunkist Soft Drinks Inc.	1,712,602.67
360	American Home Foods	1,711,712.68
361	B.F. Goodrich Co.	1,710,852.19
362	Saranac Glove Co.	1,706,455.52
363	Astroline Corp.	1,704,403.63
364	Bissell Inc.	1,703,921.68
365	Pepsi Cola Co.	1,700,372.01
366	Bic Pen Corp.	1,698,847.50
367	Charlotte Charles Inc.	1,683,617.34
368	North American Philips	1,669,727.12
369	Yorx Electronics Corp.	1,667,387.41
370	Jack Milliard Dist.	1,662,698.05
371	The Regina Co.	1,660,417.52
372	Eagle Distributors Inc.	1,657,901.34
373	Solo Cup Co.	1,657,656.87
374	Mars Electronics	1,656,878.04
375	Whitmans Chocolates Div.	1,654,689.85
376	Mobil Chemical Co.	1,654,415.75
377	Sunbeam Appliance	1,654,214.74
378	Shelburne Shirt Co. Inc.	1,643,629.12
379	Verbatim Corp.	1,639,818.95
380	Molson Co.	1,623,020.05
381	Champion Lab Inc.	1,619,274.93
382	Dept. of the Treasury	1,603,725.00
383	Hazel	1,592,822.88
384	Shea Construction Inc.	1,590,683.29
385	Proxy Div. of M. Abrams	1,582,802.65
386	Regal Appliance Inc.	1,573,580.85
387	Ipanema Shoes Corp.	1,573,484.98
388	Adidas USA Inc.	1,566,583.91
389	Windmere Prod.	1,566,496.83
390	L.E. Lindsay Const. Co.	1,565,571.00
391	T-Fal Corp.	1,563,327.56
392	Company West	1,559,791.95
393	McCarty Foods	1,552,097.80
394	Aiwa America Inc.	1,550,662.50
395	Armor All Products	1,546,419.93
396	Burma-Bibas Inc.	1,546,412.14
397	Mikasa	1,537,456.82
398	Converse Inc.	1,530,940.20
399	Astoria Jewelry Mfg. Co.	1,530,277.27
400	NCR Corp.	1,522,794.16
401	Saft America Inc.	1,521,705.55
402	Klipsch	1,520,023.50
403	Bradbury & Stamm	1,518,841.80
404	California Trends	1,516,328.46
405	Chaus Inc	1,507,803.42
406	Teledyne Water Pik	1,507,455.19
407	Ocean Pacific Longrider	1,507,218.22
408	Durand Intl.	1,505,902.63
409	Diamond Shamrock	1,505,874.54
410	Intertrans Airfreight	1,503,640.12
411	Napier Co.	1,500,395.51
412	Duncan Truck Sales Co.	1,483,008.04
413	Atlas Dist. Co.	1,482,248.97
414	Dynamic Classics Ltd.	1,481,766.05
415	Russ Berrie & Co. Inc.	1,479,101.63
416	Prince Matchabelli	1,475,560.53
417	Okidata	1,470,358.43
418	The Dial Corp.	1,466,374.11
419	Interstate Brands Corp.	1,461,016.09
420	Ferry Morse Seed Co.	1,460,888.16
421	James River Corp.	1,452,712.68
422	Wilson Sporting Goods	1,445,831.44
423	Gerber Products Co.	1,445,509.38
424	Western Publishing	1,445,159.01
425	Koret of California Inc.	1,444,335.60
426	Jos. E. Seagram & Sons	1,438,813.27
427	Allergan Pharm. Inc.	1,438,646.38
428	Pepsi-Cola Bottling Co.	1,436,008.42
429	White Stag Mfg.	1,436,001.56
430	Melr[illegible] Industries	1,435,902.93
431	NCR [illegible] Inc.	1,433,395.36
432	Sound [illegible] Corp.	1,432,686.32
433	Tropic[illegible] Products, Inc.	1,432,650.14
434	Foremost Dairies Inc.	1,422,816.84
435	Van Camp Seafood Co.	1,421,509.57
436	Jam Accessories	1,420,838.54
437	Amextra Inc.	1,416,807.73
438	Champion Spark Plug Co.	1,416,501.49
439	Rubbermaid Specialty	1,412,856.35
440	Quality Diamond Corp.	1,412,249.50
441	Sansui Electronics Corp.	1,401,884.48
442	Automatic Prod. Co.	1,399,432.46
443	Iorushi America Corp.	1,393,980.51
444	A&W Beverages Inc.	1,392,071.25
445	Crest Craft Co. Inc.	1,390,803.71
446	L.M. Sandler & Sons, Inc.	1,384,423.28
447	Estech Branded Fertilizer	1,384,260.73
448	Her Majesty Ind. Inc.	1,382,365.37
449	Stride Rite Corp.	1,376,857.06
450	Military Equip. Corp.	1,369,859.71
451	Ross Corp.	1,369,488.31
452	Gerber Furniture Group	1,368,117.72
453	Mead Products	1,367,158.92
454	Admiral Intl. Corp.	1,366,734.61
455	Colonia Inc.	1,364,879.17
456	Parfums Intl.	1,363,093.90
457	Child Craft	1,361,234.53
458	Thorsen Tool Co.	1,358,933.16
459	Canada Dry Bottling	1,358,374.91
460	Andover Togs Inc.	1,356,401.83
461	Danskin	1,351,151.03
462	Dixie-Riverside Inc.	1,348,647.19
463	Southern Maurice	1,346,466.64
464	Iodent Co.	1,343,982.48
465	Star Micronics	1,343,815.46
466	Bausch & Lomb	1,338,338.46
467	Pacific Trail Inc.	1,331,657.38
468	Flying J Inc.	1,329,168.98
469	Fedders Corp.	1,327,507.32
470	Jovan Inc.	1,325,534.63
471	Creighton Shirt Co. Inc.	1,324,644.02
472	A.H. Robins Co.	1,324,573.02
473	Brother Intl. Corp.	1,322,197.83
474	J.J. Calico Footwear	1,318,958.57
475	Magic Chef Inc.	1,315,033.16
476	Olin Corp.	1,306,988.51
477	The Joseph & Feiss Co.	1,304,705.00
478	Northern Electric Co.	1,302,580.37
479	Farmers Union/Cerex	1,298,830.63
480	Keystone Camera Corp.	1,297,421.66
481	Russell Stover Candies	1,295,944.16
482	Pepsi Cola Bottling Co.	1,295,336.79
483	Southwest Truck Sales	1,291,393.69
484	SF&D Corp.	1,289,848.70
485	IPS Inc.-Imperial Pearl	1,289,383.39
486	Union Underwear Co., Inc.	1,288,193.73
487	Northland Associates	1,287,352.00
488	Royal Copiers	1,285,545.21
489	Green Giant Co.	1,283,917.79
490	Glidden Distributing Co.	1,282,474.39
491	Lowell Shoe Co. Inc.	1,280,376.20
492	Susan Crane Inc.	1,273,645.08
492	Lucia Inc.	1,269,892.56
494	Pillsbury/Green Giant	1,266,912.91
495	Shell Oil Co.	1,264,522.40
496	Argenti	1,259,695.80
497	Vie de France	1,255,093.07
498	Paramount Home Video	1,252,416.71
499	Bollinger Industries	1,252,192.76
500	M. Grumbacher Inc.	1,248,180.44
501	Wagner Division	1,247,784.84
502	Impact Furniture	1,246,124.90
503	Harper Leather Goods	1,240,798.01
504	Doskocil Sausage Co.	1,232,520.90
505	Leslie Fay Inc.	1,227,497.42
506	Forstmann & Co. Inc.	1,226,985.85
507	Swatch Watch USA Inc.	1,225,568.17
508	Wilson Foods Corp.	1,216,885.74
509	Gold Eagle Prod. Co.	1,212,970.51
510	Nikon/Ehrenreich Photo	1,211,840.50
511	Binney & Smith Inc.	1,211,838.34
512	Del Monte Corp.	1,211,694.96
513	Impact Marketing	1,210,117.80
514	Noxell Corp.	1,209,480.69
515	Milex Poly Co. Inc.	1,203,025.61
516	Pepsi Cola Bottling Grp.	1,199,132.21
517	Franklin Chairs	1,198,668.55
518	Etienne Aigner	1,197,620.47
519	Star-Kist Foods Inc.	1,195,806.35
520	Valterra Prod. Inc.	1,187,464.78
521	Moscogee Peas Co.	1,187,372.69
522	Pacific Electricord Co.	1,183,909.06
523	Miles Laboratories Inc.	1,183,036.45
524	Hush Puppies Boyswear	1,182,060.82
525	Rubin Gloves Inc.	1,179,792.13
526	Sun Litho Inc.	1,175,604.81
527	G. Embrock Labs	1,174,629.30
528	W.K. Schreffer & Co.	1,173,402.59
529	Borden Consumer Prod.	1,172,855.46
530	Ex-Cell Home Fashions	1,170,060.46
531	Decor Concepts	1,166,094.10
532	Stouffer Foods Corp.	1,164,466.04
533	Igloo Corp.	1,163,312
534	Vendo Co.	1,162,101
535	B&B Beverage Co.	1,160,804
536	TDK Electronics Corp.	1,157,77
537	Zippo Mfg. Co.	1,157,082
538	Foster Grant Corp.	1,155,89
539	Schering Corp.	1,155,62
540	Garan Inc.	1,155,076
541	Remac Inc.	1,149,543
542	Buena Vista Home Video	1,148,215
543	W.H. Mosely Co. Inc.	1,147,86
544	Thermos Div.	1,145,734
545	Alberto-Culver Co.	1,13[illegible],656
546	The Bonneau Co.	1,138,171
547	Epson America Inc.	1,136,603
548	Sperry Top-Sider Inc.	1,135,825
549	Revlon Government Sales	1,134,89
550	Seymour Div.	1,130,88
551	Above the Belt Inc.	1,129,73
552	Sony Corp. of America	1,129,71
553	Economics Laboratory, Inc.	1,128,55
554	Universal Furniture Ind.	1,127,58
555	Phone-Mate Inc.	1,127,53
556	Mirro Corp.	1,125,55
557	Cadbury USA	1,125,35
558	Hardware/Industri. Tool	1,124,36
559	Multiples	1,124,20
560	Chanel Inc.	1,123,63
561	Helene Curtis Ind. Inc.	1,123,15
562	Aris Isotoner Inc.	1,120,96
563	Elray Industries	1,119,20
564	Excell Prod.	1,119,06
565	Chase Chemical Co.	1,114,88
566	Piccolino Worldwide Ent.	1,112,84
567	Clorox Co.	1,109,64
568	Crown USA Inc.	1,106,44
569	Structural Assoc. Inc.	1,105,73
570	Dennison Mfg. Co.	1,104,50
571	Nordic Ware	1,104,22
572	C.D. et Cie	1,103,47
573	U.S. Playing Card Co.	1,098,34
574	Nation Pizza Products	1,098,06
575	Lamb-Weston	1,096,56
576	New Attitude	1,094,83
577	Pony Sports & Leisure	1,091,49
578	Vivitar Corp.	1,086,87
579	Marx & Newman Co.	1,086,75
580	Flav-O-Rich	1,086,50
581	Gemini Distributing	1,086,46
582	McNutt Construction Co.	1,083,65
583	Westclox U.S.	1,082,20
584	Golden Apple Exports	1,078,33
585	Buck Knives Inc.	1,074,19
586	Vida Shoes Intl. Inc.	1,070,44
587	Camptown Togs Inc.	1,068,78
588	Tosyali Intl. Inc.	1,068,72
589	Folgers Coffee Co.	1,067,21
590	Rolfs Div.	1,066,8
591	Lincoln Foodservice	1,061,32
592	Centex Periodicals Inc.	1,060,08
593	Webway Inc.	1,055,30
594	Foley Co.	1,055,20
595	DCA Food Ind.	1,053,28
596	Conair Corp.	1,051,61
597	Esso Standard Oil Corp.	1,051,16
598	Tambrands Inc.	1,050,11
699	Conwood Co.	1,048,67
600	Weathervane Inc. Div.	1,048,30
601	Baby Togs Inc.	1,047,37
602	RPH Clothing Inc.	1,041,57
603	Carrols Corp.	1,040,44
604	Christian Dior Perfumes	1,835,4
605	Lego Systems Inc.	1,032,7
606	Sahara Club	1,028,1
607	Totes Inc.	1,027,5
608	Styl-Land Inc.	1,025,6
609	Maurice Sporting Goods	1,024,6
610	Scholl Inc.	1,023,9
611	American Argo Corp.	1,019,5
612	Ocean Spray Cranberries	1,017,6
613	Neutrogena Corp.	1,016,3
614	Wetner News Co. Inc.	1,015,4
615	Anderson News Co.	1,014,7
616	American Lock Co.	1,012,4
617	Doskocil Mfg. Co.	1,009,4
618	Arctic Circle Ent. Inc.	1,008,4
619	Amana Refrigeration, Inc.	1,007,6
620	G. Heileman Brewing Co.	1,006,4
621	Holt Howard	1,006,0
622	Ramfjeld & Co. Inc.	1,002,9

Golf in the Green

Baby boomers give golf a fresh, more diverse, face. And the new sales growth makes AAFES reintroduce its golf department.

By MARIE E. FERREY
Associate Editor

Once perceived as a sport for the old-boy clique or the rich and famous, golf's demographics now range from blue collar workers to top professionals of all ages. A booming popularity has the industry tee-ing off at more than $1 billion.

There are about 25 percent more golfers today than in 1985. Interest in the sport jumped to mor than four million people just between 1985 and 1987, according to the National Golf Foundation. And participation is expected to grow even more in 1989.

"Most people play golf, because somebody they know introduced them" to the sport, said Kit Bradshaw, NGF public relations manager.

Air Force Maj. James Heaberg, spokesman for the Army and Air Force Exchange Service, is a golfer himself. He picked it up from his Dad, a 70-year-old retired Air Force colonel who is *still* an avid golfer.

For Heaberg, golf has a dual purpose: exercise and fellowship. It's a good place to discuss business, because the golf course has "a relaxing atmosphere, with no pressure of meetings and phones."

Millions of Americans play golf, because it's a relaxing way to exercise.

GOLF'S BRIGHT FUTURE: Greg Norman sizes up a putt.

PHOTO COURTESY OF THE PGA OF AMERICA

Besides recreational and social benefits, golf has a therapeutic quality, said NFC's Bradshaw. "People who are stressed play golf. There are very few ugly golf courses in the country." Beautiful surroundings and fresh air help people relax and escape from their problems.

Golf's demographic profile has changed over the years, said Bradshaw: It's a DINK (Double Income, No Kids) who pretty much fits the profile of today's typical golfer.

NGF statistics show that more than three quarters of all golfers are male, and more than half have a household income between $30,000 and $75,000. Most are between 20 and 50 years old and live in the East, North Central or Pacific regions of the U.S. Close to half are college graduates.

However, 27.5 percent of all golfers are blue collar workers, second only to professionals, managers and administrators, who comprise 45.1 percent of all golfers.

While private country clubs account for the largest percentage of total golf sales, 79 percent of all retailers rang up hefty sales in the last two years because of new golfers, says a 1988 survey of the golf shop market.

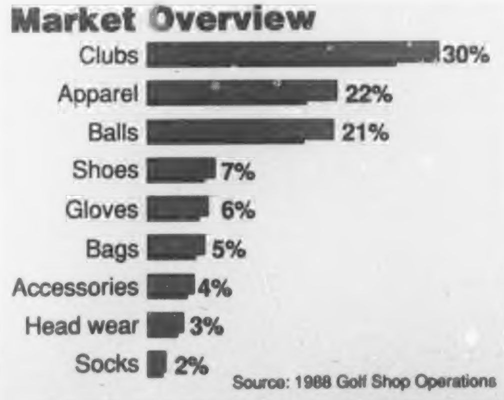
Exchanges also have seen sales resurge. Sporting goods sales in Navy exchanges last year grew about 4 percent over 1987, thanks to increased participation in sports like golf and camping, said Thomas Heffernan, sporting goods buyer for the Navy Resale and Services Support Office.

In 1984, except for a few accessories, AAFES completely pulled out of the golf business because of the sport's decline in popularity, said Senior Sporting Goods Buyer Gary Tunnell. Yet, three years later, when the industry gained about 20 percent in golf sales, it picked up the booming business.

AAFES launched a new planogramming program for the golf section, changed suppliers to provide a wider variety of brands and increased the stock assortment to 54 SKUs, said Tunnell. The agency expects to sell $5-million worth of golf goods in 1989 — more than $2 million over last year's sales.

In the U.S., the highest generators of revenue in 1987 were clubs ($327 million), apparel ($249 million) and balls ($237 million), reported the golf shop operations survey.

Market Overview



Source: 1988 Golf Shop Operations

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Navy Exchanges' Million-Dollar Suppliers

[EDITOR'S NOTE: The 119 exchange suppliers listed below are vendors who got $1 million-plus payments from NAVRESSO headquarters during fiscal 1988, which ended January 20, 1989. This year's list is not comparable to similar lists issued in the past.

[The lists cannot be compared because, during the fiscal year, Navy exchanges changed the way they pay their suppliers. In response to the Prompt Payment Act, which requires bill-paying in a timely manner, Navy field support offices were authorized to pay invoices for merchandise and services they had ordered. In the past, these bills were verified by the regions and then sent to NAVRESSO headquarters for payment.

[The new method of payment means that many suppliers are now being paid by the regional offices. These regional totals do NOT show up in the files maintained by headquarters.

[NAVRESSO says that there is no system currently in place which would roll up a vendor's regional payments into a single, overall grand total. Consequently, the list below, while accurate, cannot and does not reflect the total amount of business that may have taken place at the regional level.

[Readers should also note that these firms received payments at a SINGLE ADDRESS. Companies with multiple addresses are not included on the list, even if their combined billings exceeded $1 million.

[The source for this information is a computer report generated by the Navy Resale and Services Support Office.]

A.B. Distributors Inc.	$1,456,220
Affordable Furniture	1,144,927
American Greeting Cards	7,905,089
Anheuser Busch	6,514,232
F.H. Anthony & Assoc. Inc.	2,288,467
Apple Computer Inc.	2,626,167
ARA Services (mag./book div.) San Diego	1,127,384
ARA Services (mag./book div.) Norfolk, Va.	2,021,596
Elizabeth Arden Inc.	1,114,877
The Arrow Co.	1,274,104
Artex Mfg. Co.	1,030,905
Associated Distributors	2,452,745
AT&T Consumer Products	1,541,234
James Beam Distilling Co.	1,374,731
Bev. Foods & Service Ind., Inc. (PepsiCo.)	3,628,908
Bib Distributing Co.	2,379,378
Black & Decker Housewares Group	1,599,208
The Bose Corp.	2,115,798
BP Oil Co. (Gulf Products Div.)	1,198,801
Brigade Brands Ltd.	1,804,818
Brothers International Corp.	1,759,118
Bugle Boy Industries	1,134,329
Canon U.S.A. Inc.	1,116,376
Chevron Chemical Co.	1,297,471
Chevron U.S.A. Inc.	2,558,612
Liz Claiborne Inc.	3,376,681
Coast Distributing Co.	1,044,410
Coca Cola (Los Angeles)	1,285,324
Coca Cola Export Corp.	3,019,168
Coca Cola Co. (Baltimore)	1,574,813
Coca Cola Bottling Co. (Memphis)	1,007,388
Commodore Business Machines	5,418,978
Creighton Inc.	5,063,118
Davis Clothing Co.	1,947,656
Eastman Kodak Co.	4,422,019
Encore International	3,983,547
Eurpac East	5,690,664
Eurpac West	8,303,113
Eveready Battery Co. Inc.	1,472,974
Exxon Co. USA	4,714,633
Fieldcrest Cannon Mills	1,708,066
Fisher-Price Toys Inc.	1,474,039
Fisher Corp.	1,233,552
Frito-Lay Inc.	3,244,736
Gillette Co.	2,243,201
N. Goldring Corp.	1,284,810
Gold Star Electronics Int. Inc.	2,130,213
Goodyear Tire & Rubber Co.	1,903,414
Gruen Marketing Corp.	4,470,622
Haggar Mens Wear Apparel Co.	1,706,090
Handleman Co.	1,212,188
Hanes Corp. (Hosiery Div.)	1,382,452
Hanes Corp. (Underwear Div.)	1,858,055
Hasbro Inc.	1,250,303
Hershey Chocolate Co.	1,162,273
Hoffman Beverage Co.	1,689,920
Huffy Corp.	1,124,853
Jockey International	1,425,644
C. Lloyd Johnson Co.	2,701,378
Johnson & Johnson	1,428,741
JVC Co. of America	2,510,768
John K. Kealy Co.	2,798,010
Kimberly Clark Corp.	1,347,401
Kordet Creative Services	2,390,774
Lieberman Ent Inc.	2,488,761
B. Lippman	1,860,433
Mansfield Oil Co.	2,088,115
Mattel Toys Inc.	1,119,220
Michelin Tire Corp.	1,253,455
Miller Brewing Co.	2,973,263
Minolta Corp.	4,033,102
M&M/Mars	1,236,737
Monarch Crown Corp.	1,222,953
Philip Morris Inc.	5,260,333
Murray Ohio Mfg. Co.	1,801,211
Nabisco Brands Inc.	1,538,175
National Vendors	1,024,309
NCR Corp.	1,900,715
Nike Inc.	5,182,854
Nintendo of America	2,820,419
Norfolk Beverage Co. Inc.	1,157,924
Old Dominion Tobacco Co. Inc.	1,187,406
Orit Corp.	1,821,098
Panasonic Co.	1,047,992
Pendleton Woolen Mills	1,509,199
Pepsi Cola Bottling Co. (San Diego)	1,049,156
Pepsi Cola Bottling Co. (Charlotte)	1,119,996
Philips Consumer Electronics Corp.	1,436,756
Pioneer Electronics	2,414,659
Playskool Inc.	1,220,651
Playtex Inc.	1,032,619
Polaroid Corp.	1,782,670
Polo/Ralph Lauren Corp.	1,558,275
Procter & Gamble	3,698,800
Radio Shack	1,284,716
Reebok International	2,180,685
R.J. Reynolds Tobacco Co.	3,039,214
Revlon Inc.	2,361,276
RTA International Inc.	2,503,179
Rubbermaid Inc.	1,061,409
Sandberg & Sikorski Diamond Corp.	2,089,572
Scott Distributing	1,275,557
Seagoing Uniform Corp.	3,574,913
Sharp Electronics Corp.	5,756,843
M.J. Soffe Co. Inc.	1,540,954
Southern Apparel Co.	3,503,446
J.P. Stevens & Co. Inc.	1,018,067
Levi Strauss	4,633,956
3M Co.	2,660,250
Teleflora Inc.	1,124,143
Thomson Consumer Electronics Inc.	2,607,587
Timex Corp.	1,251,869
Unisys Corp.	1,136,560
Vanguard Industries West	1,075,606
Velva Sheen Mfg. Co.	1,308,028
Weintraub Brothers and Co.	2,068,591
Whirlpool Corp.	6,317,169
Wolverine Worldwide (Bates Military Div.)	5,759,763
Zenith Electronics Corp.	2,310,329

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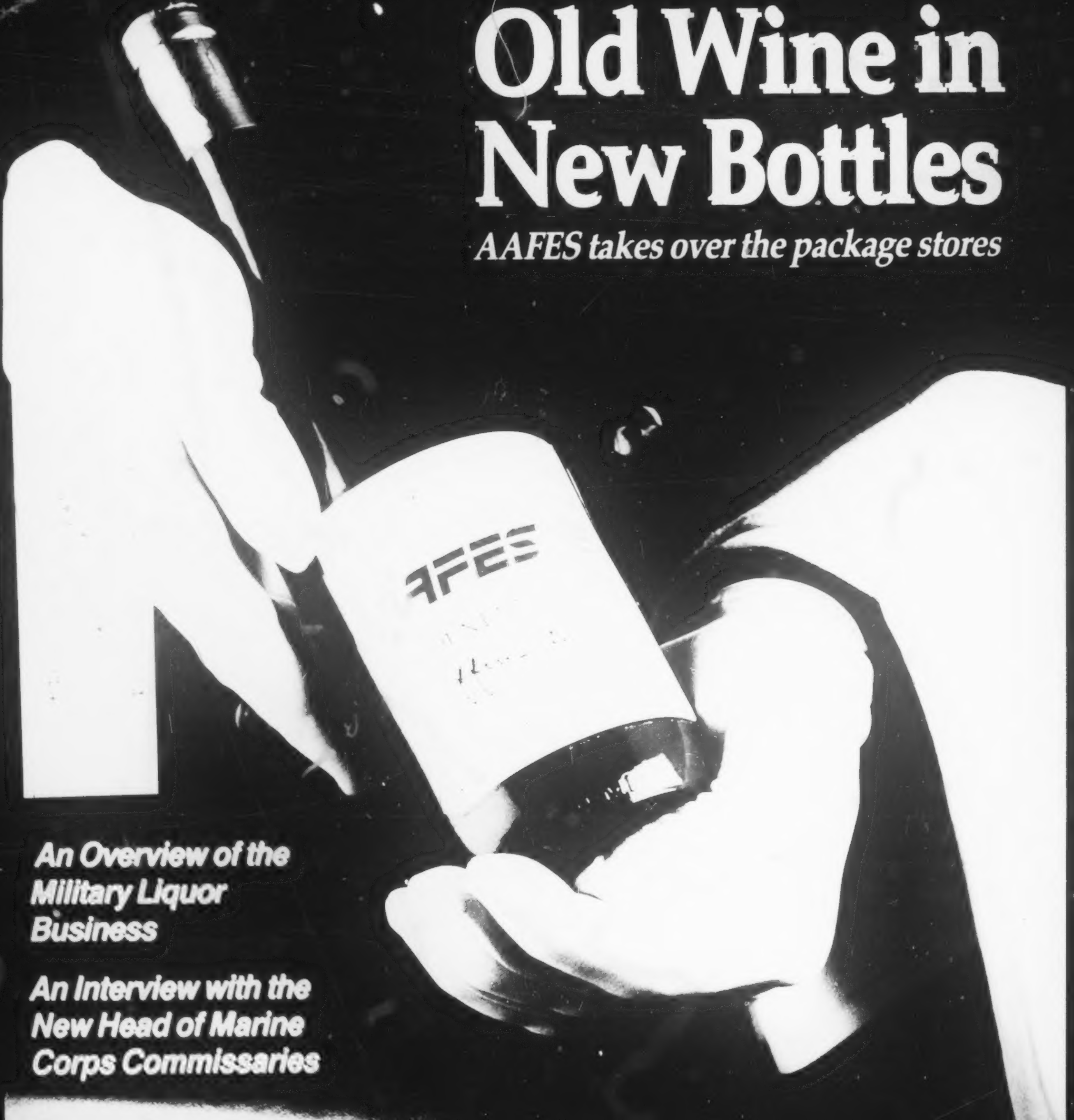
Old Wine in New Bottles

AAFES takes over the package stores



An Overview of the Military Liquor Business

An Interview with the New Head of Marine Corps Commissaries

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COVER PHOTOGRAPH BY RICH MASON

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11 – Funds for AAFES transportation budget will get moved.

12 – AFCOMS takes bids for data on all commissaries.

Cashiers get pay relief in D.C. and Mass.

Personnel relief has come for commissaries in the high-cost areas of Boston and Washington, D.C., MILITARY MARKET has learned.

The Office of Personnel Management has approved an accelerated pay scale for General Schedule cashiers — sales clerks, job series 2091 — in Army, Air Force and Navy stores in or near those two cities.

Commissaries in the two areas have had trouble recruiting checkers, because the local unemployment rate is close to 0 percent. The GS salaries can't compete with those wages paid by other retail food outlets.

The Air Force and the Army have quietly worked with OPM to find an alternative to the current GS scale, which pays the same rate regardless of geographic area. *[See chart on page 8.]*

In Eastern Massachusetts, the new scale went into effect the first day of the first pay period beginning on or after Nov. 28, 1988. It applies to grades GS-2 through GS-8.

For metropolitan Washington, D.C., commissaries received notice of the policy during the week of April 10, but it is in effect retroactively, beginning on the first day of the first pay period after March 12. The accelerated scale in this area is for GS-1 through GS-6 cashiers.

Air Force Col. Frank Dooley, director of the Northeast Region of AFCOMS, told MILITARY MARKET that, before the raise, he had to bring in eight or 10 military personnel on temporary duty tours to the Hanscom AFB store in order for it to operate. Now, Hanscom has no shortfalls in cashiers.

The higher pay scale is in effect in the following stores, among others: Hanscom AFB, Mass.; Fort Devens, Mass.; Cameron Station, Va.; Bolling AFB, Md.; Andrews AFB, Md.; Fort McNair, D.C.; Walter Reed AMC, D.C.; Fort Belvoir, Va.; and Fort Myer, Va.

Bad earnings for AAFES means RIFs for some buyers

AAFES' poor 1988 earnings performance is forcing the agency to cut back on personnel. Some regional buyers have already been eliminated at the Southeast Exchange Region.

Although the Army and Air Force Exchange Service's $6.2 billion sales were slightly higher than 1987's, earnings dropped an estimated 18 percent, according to Brig. Gen. Jeffery Kahla, the agency's commander.

Earnings slipped from $260 million in 1987 to $214 million in 1988, he said. To make up for the loss in earnings, AAFES is cutting back on personnel wherever feasible, Maj. James Heaberg, spokesman for AAFES told MILITARY MARKET..

The first region to trim its staff has been SEER. Purchasing staff are being eliminated in two categories — hardlines and softlines. Similar actions are expected elsewhere. "The personnel cutback is likely to expand to other regions," Heaberg added.

SEER will be left with only two employees in hardlines and two in softlines. One will be a UA (management) staffer and the other an HPP (hourly pay plan) staffer. They will serve as liaisons between the region and Dallas' headquarters. They will not have any buying authority, said Heaberg.

Starting May 1, headquarters buyers for hardlines and softlines will do all purchasing for SEER. "No buying [for hardlines or softlines] will be done at the region level," Heaberg said.

Consumables purchasing in SEER will not be affected. The buyers who remain will continue consumables purchasing at the region level.

Hayes to head up DPSC

Brig. Gen. James S. Hayes, commander of the Troop Support Agency, will transfer to the Defense Personnel Support Center this summer to replace retiring Commander Maj. Gen. John H. Voorhees.

Voorhees' retirement should be final this summer, although the exact date had not been set as of press time. The transition from Voorhees to Hayes follows the DPSC custom of alternating the command among the armed forces. Voorhees is Air Force; Hayes is Army.

Voorhees has been head of DPSC since August 1986.

DoD: AAFES can run overseas banks by 1994

Defense Department Comptroller Clyde O. Glaister has recommended that the Army and Air Force Exchange Service begin administering the military's overseas banking program by fiscal 1994.

In a March 31 letter to Rep. Les Aspin, D-Wis., chairman of the House Armed Services Committee, Glaister said that transferring the banking program to AAFES is possible. However, he acknowledged that "such a transfer is not feasible in the short run."

There are three reasons for this: (1) AAFES is currently occupied with integrating morale, welfare and recreation activities (such as package stores) into its program; (2) AAFES wants to be able to operate military banking facilities on a profitable basis; and (3)

BANKING, continued on page 40

FAMILIES

Use of WIC vouchers up at stores

While the dollar value of food stamps redeemed in commissaries is mostly declining or remaining the same, redemptions of Woman, Infant and Children vouchers are increasing. However, some services have trouble tracking the WIC figures at headquarters.

According to the Air Force Commissary Service, because the Woman, Infant and Children vouchers program is not national, it varies from state to state.

Therefore, not all commissaries are required to report redemption figures. AFCOMS is unable to maintain a complete record of the information. The Navy Resale and Services Support Office also doesn't keep headquarters records of WIC redemptions.

The Troop Support Agency, which does release overall WIC figures, says that the WIC program is conducted only in the United States and Puerto Rico. The program is sponsored by the U.S. Department of Agriculture and serves to improve the health and nutrition of pregnant, breast-feeding and post-partum women and infants and children under the age of five.

TSA said individuals must live in an area where the WIC program operates, meet individual state income level requirements and be declared a nutritional risk by a medical official at their local WIC agency to be eligible.

Participants purchase authorized foods, including cereals, juices, milk, eggs and infant formula, using the specially printed WIC vouchers.

Fifty-two Army commissaries participate in the WIC program.

Redemption of Food Stamps and WIC Vouchers in Commissaries

FOOD STAMPS

Agency	*1st Quarter Fiscal 1989*	*1st Quarter Fiscal 1988*	*Fiscal 1988*	*Fiscal 1987*
AFCOMS	$1,003,767	$857,577	$3,404,019	N/A
Marines	107,316	114,672	391,578	$392,936
NAVRESSO	504,390	566,334	2,127,061	2,332,648
TSA	1,356,933	1,385,325	4,900,000	4,600,000
Coast Guard	897	18	N/A	N/A
Total	**$2,973,303**	**$2,923,926**		

WIC VOUCHERS

Agency	*1st Quarter Fiscal 1989*	*1st Quarter Fiscal 1988*	*Fiscal 1988*	*Fiscal 1987*
Marines			$333,346	$262,954
TSA			2,100,000	1,500,000

SOURCE: Commissary agencies

Comparative Pay Rates for Cashiers

Grade	Mass.	D.C.	Regular
GS-1	N/A	$12,445	$10,213
GS-2	$14,169	13,343	11,484
GS-3	15,150	15,039	12,531
GS-4	16,092	15,943	14,067
GS-5	16,972	17,313	15,738
GS-6	18,712	18,712	17,542
GS-7	20,143	N/A	19,493
GS-8	22,310	N/A	21,590

NOTE: Rates shown are Step 1 of each grade, for GS-2091 sales store clerk positions. Similar differences are seen in other steps of the same grades. Figures include the 4.1 percent federal pay hike which was effective in January 1989.

INDUSTRY

ALA survey lists biggest problems

Vendor stocking, frequent delivery, late payments dominate list.

Vendor shelf stocking, frequent delivery and late payments are the issues of primary concern to members of the American Logistics Association, according to a recent survey.

As of mid-April, ALA had received 137 responses to its February letter to members, which asked them to name the "top three problems" that the association should address in the next 12 months.

Bill Irwin, ALA's operations director, told **MILITARY MARKET** that it would probably take the staff until the end of May to analyze all the replies, which have been grouped together according to like topics.

Vendor shelf stocking was the most frequently listed problem area, while frequent delivery was second and late payments was the third most-cited issue. The three topics were "by far and away the most dominant" of the many answers, Irwin said.

Other topics that need addressing, according to the replies, are teamwork between industry and commissary personnel, deliveries, pricing systems, understaffing of commissaries and stock lists — both master and regional. Irwin said there were also comments on how ALA meetings could be improved.

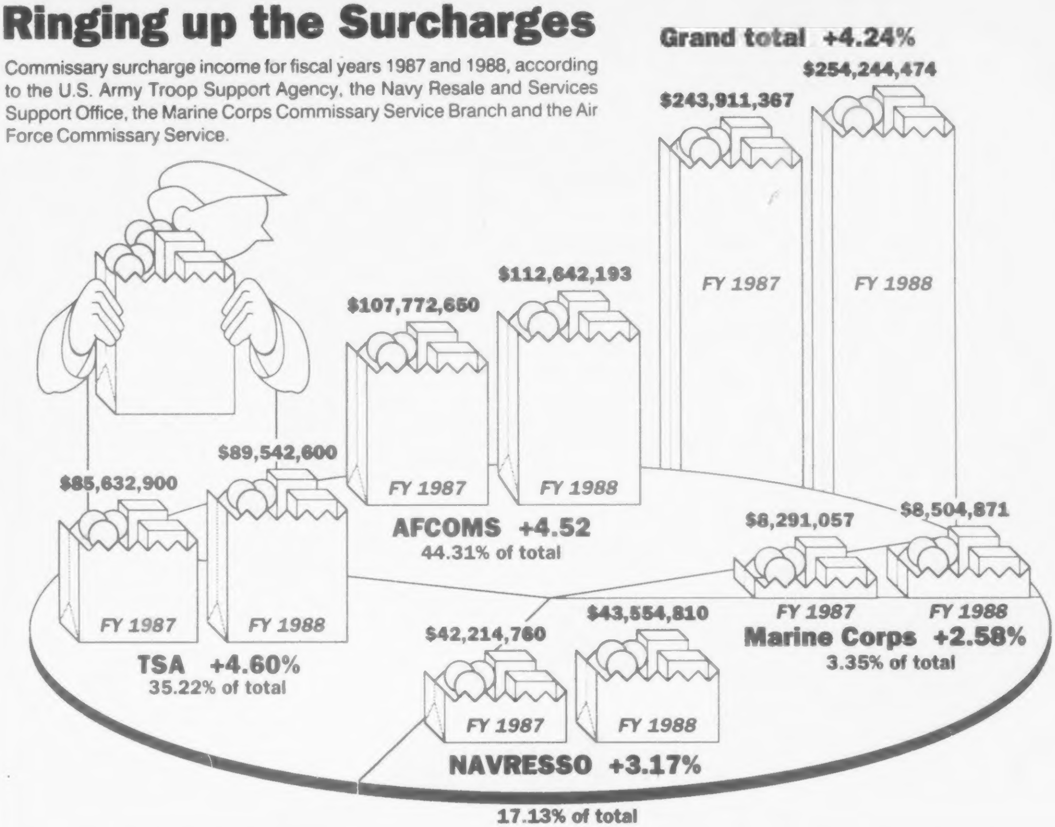
The first thing ALA will do is take the pile containing vendor shelf stocking suggestions and read them to "see if anybody's got any innovative thoughts on what we should be doing," Irwin said.

He said the staff will read each response and use the suggestions for meeting topics and approaches.

Responses came from industry and military members alike.

Ringing up the Surcharges

Commissary surcharge income for fiscal years 1987 and 1988, according to the U.S. Army Troop Support Agency, the Navy Resale and Services Support Office, the Marine Corps Commissary Service Branch and the Air Force Commissary Service.



The Complete Breakdown by Region or Office

	Region/Complex	Fiscal 1988	% of Total	Fiscal 1987	% Change
TSA	MWCOR	$20,011,600	22.35	$19,652,200	+1.83
	NECOR	15,988,700	17.86	15,288,800	+4.58
	SECOR	21,197,400	23.67	20,326,900	+4.28
	WCOR	12,877,200	14.38	12,407,000	+3.79
	EURCOR	19,467,700	21.74	17,958,000	+8.41
NAVRESSO	Auburn	$2,905,182	6.67	$2,767,311	+4.98
	Davisville	2,978,666	6.84	2,829,553	+5.27
	Jacksonville	5,760,643	13.23	5,743,031	+0.31
	Mechanicsburg	2,282,002	5.24	2,157,107	+5.79
	Norfolk	5,316,101	12.21	5,146,231	+3.30
	Oakland	4,348,355	9.98	4,316,745	+0.73
	Pearl Harbor	2,982,108	6.85	3,030,809	-1.61
	Pensacola	3,823,900	8.78	3,762,913	+1.62
	San Diego	8,804,917	20.22	8,414,465	+4.64
	Overseas	4,352,936	9.99	4,046,595	+7.57
Marine Corps	East Coast	$4,218,032	49.60	$4,153,285	+1.56
	West Coast	4,286,839	50.40	4,137,772	+3.60
AFCOMS	California	$14,389,471	12.77	$14,138,261	+1.78
	Delta Gulf	12,904,316	11.46	12,886,983	+0.13
	North Central	11,104,042	9.86	10,542,979	+5.32
	Northeast	11,960,589	10.62	11,668,943	+2.50
	Northwest	7,961,049	7.07	7,451,758	+6.83
	South Central	13,967,434	12.40	13,702,336	+1.93
	Southeast	9,677,097	8.59	9,022,678	+7.25
	Southwest	11,210,172	9.95	10,880,993	+3.00
	Pacific	8,979,927	7.97	8,025,011	+11.90
	European	10,488,096	9.31	9,452,708	+10.95

NOTE: Agency percent total represents percentage of grand total for military commissary surcharge income during fiscal 1988. Consolidated.

Marty Baumann

Freeze Frame

While lens shutter cameras have zoomed past SLRs in sales, overall camera sales in the exchanges have stalled for the moment.

By KAREN McBETH
Associate Editor

Camera sales in exchanges seem to be stuck in automatic rewind. The tremendous growth in the industry for lens-shutter (point-and-shoot) 35mm models hasn't clicked with fewer camera purchases on the whole.

The Navy Resale and Services Support Office reports that worldwide sales for its camera department were down 7.5 percent in fiscal 1988, which ended Jan. 20.

In the Army and Air Force Exchange Service, worldwide photographic photo processing sales dropped 8.6 percent during the fiscal year, which also ended in January. Sales, which include accessories and mail order, were $93,040,000. This was 1.9 pecent of AAFES' worldwide sales, down from 2.2 percent ($101,795,000) the previous fiscal year.

B.L. "Ole" Olson, NAVRESSO's senior buyer for cameras, film and accessories, attributes the decrease, in part, to the trend toward fewer sales of high-ticket 35mm single-lens reflex (SLR) cameras. He also cites the declining instant picture market and competition from camcorders as reasons for the overall slowdown in camera sales.

The Photo Marketing Association has reported that the two most popular camera models are the 35mm auto-focus and the 110. Olson finds corresponding trends in Navy exchanges.

Disc cameras are "going the way of the 126 cameras," Olson reports. Unit purchases were down 48.1 percent in fiscal 1988. "With the decline in the disc market, many people are going back to the old reliable 110." NAVRESSO's fiscal 1988 purchases of 110s from ConUS sources totalled 38,030 — an increase of 52.9 percent over the previous year.

Olson said the market for instant cameras has been declining for a number of years because of competition from 60-minute photo processing, 35mm point-and-shoots and camcorders. Unit purchases of instants for 1988 were down 8.8 percent, and dollar sales increased just 0.4 percent be-

Specialty Films Promise High Speed Growth

Two new specialty films have been shining in the media: Kodak's Ektar and Fuji's Reala.

The *Wall Street Journal* reports that they are targeted toward advanced amateur photographers, a group which uses an estimated 400 million rolls of film a year and makes up about 20 percent of users of 35mm cameras.

The new films will sell for about 15 percent to 20 percent more than normal color rolls. Ektar will be available in ASA 25 and ASA 1000. Reala will come in the more popular ASA 100.

The intention is for the films to be sold in specialty camera stores, but Ektar will also be available in exchanges, where Jim Tait says it will have a 30-percent premium. Ektar was introduced last fall in Europe, and it has done well there: "Sales of Ektar in Europe are beyond our best possible estimates," Tait said.

Ektar 25 can be blown up with "virtually no grain," Tait explained. The 1000 film allows night colors to photograph more naturally. He says the ASA 25 can only be used in one auto focus SLR in the market that he knows of: the Kodak S1100. Because of its sensitivity, some reports revealed, it may require a tripod or flash in all but bright sunlight, and some zoom lenses may not work.

Reala can be used in point-and-shoot cameras. It gives richer colors than normal color film and can distinguish between shades and textures. However, Fuji will limit its sale to specialty stores, hoping to minimize any impact on sales of other Fuji film, according to the *Journal*.

NAVRESSO will carry only Ektar, "due to a sole source contract." AAFES will carry Ektar 25 and Ektar 1000 film beginning in late spring.

According to *Advertising Age*, Eastman Kodak has an 80-percent share of the $2-billion U.S. conventional film category; Fuji has a 10-percent share. — *K.M.*

cause of price increases.

Industry analysts agree that lens/shutter cameras are still experiencing growth, while manual SLRs are in a slump. Navy exchanges follow the trend: Unit sales of SLRs were down 35.3 percent, while dollar sales dropped 44.6 percent. Of the SLRs that were purchased, autofocus models accounted for 51.1 percent of total unit sales and 63.7 percent of the dollar sales.

By contrast, NAVRESSO purchased 32.5 percent more lens/shutter cameras in 1988. AAFES reports that it carries only five SLR models on its master stock list. The rest are lens/shutter 35mm, cartridges and Polaroids.

According to NAVRESSO's Olson, "It is too early to predict how the camera market will be in resale activities during 1989.

"However, if the results of the Super February Sale are any indication, 1989 could be a good year."

WHAT'S NEW FROM THE MAJORS

The major camera manufacturers report a plethora of new cameras, most of which are lens/shutter 35mm models. Here's a sampling, listed by manufacturer:

☐ **Eastman Kodak:** Jim Tait, director of military sales, United States Division, said that since Kodak got into the 35mm business three years ago, the company has expanded its line from only two models to the six now available.

This year, Kodak has discontinued its K series and expanded its S series as a replacement. Because cameras are constantly being improved, the life of a model is about 24 to 36 months, Tait said.

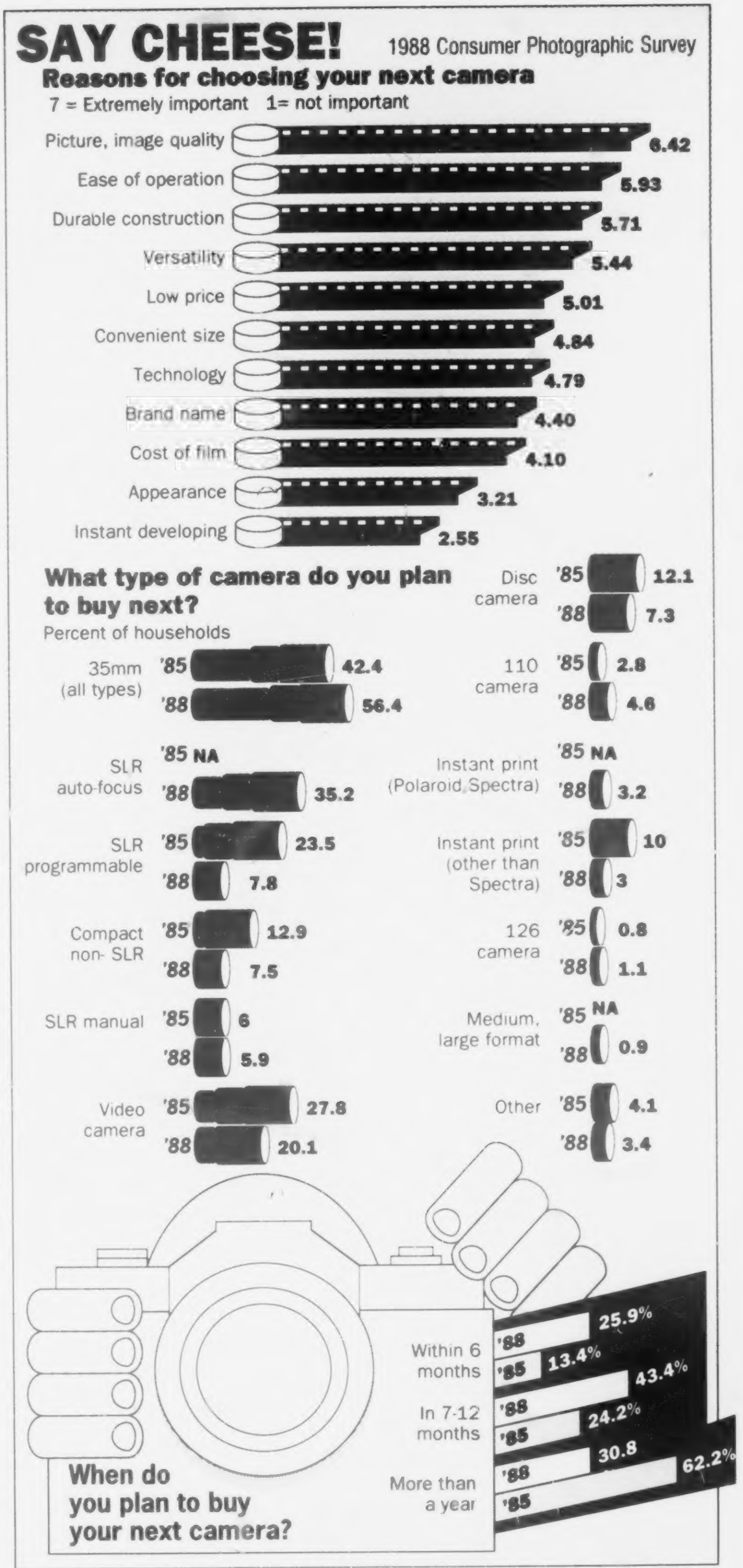
All of the S-series cameras are either automatic focus or focus-free. New this year are the S300 (commercial retail less than $90), the S500 (commercial retail less than $190), the S900 Tele 35 (commercial retail less than $240) and the S1100 (commercial retail less than $260).

Kodak also has the Explorer all-weather 35mm and the Mickey-matic 110 camera, promoted last fall and this spring for Mickey Mouse's 50th birthday.

Tait says Kodak's best seller in the military is the S100 35mm lens/shutter, introduced last year at the PMA show.

☐ **Fuji Photo Film USA, Inc.:** Fuji has expanded its Discovery 35mm line with the Discovery 60 and Discovery 160, both autofocus models. The Discovery 2000 was introduced in February.

Robert Ferguson, military sales manager, says that 35mms are on the upswing, while cartridges are not. Tom Shay, director of corporate com-



Source: Photo Marketing Association International

Marty Baumann

munications, says lens shutter cameras outsell SLRs by a ratio of 5–1.

According to data from NAVRESSO, Fuji supplies Navy exchanges with the most camera units of any manufacturer.

☐ **Olympus Corp:** Olympus began selling its cameras to exchanges on the open market early in 1989, when its GSA contract ran out. According to Vince Marino, consumer services supervisor, new cameras include the Infinity Twin, an auto focus 35mm LS which was introduced in September. It didn't start shipping until February because the company had trouble meeting demand on other products. The Infinity Super Zoom 300 is an auto-focus 35mm LS, as is the Quick Shooter Zoom.

☐ **Minolta:** The Maxxum 3000i SLR came out in May of 1988 and is the smallest in the line. Spokesman John Jonny says it's fully automatic and has more flexibility for adding lenses. The commercial suggested list price is $486.

The Freedom Zoom 90 was introduced this January. It is an LS with a zoom lens and a flash that is not totally automatic, leaving the photographer with some flexibility about using it. It has a programmed zoom, and the suggested commercial list price is $428. Deliveries began in mid-March.

☐ **Pentax:** Three new cameras were introduced during February's PMA show. Robin Allerding, military sales representative, said the Mini Sport AFII 35mm sells for $79 in exchanges. The P3N SLR replaces the P3 and will sell for $199.95 in the military. The SF1N replaces the SF1, which will be discontinued sometime in April or May, she said. The exchange price for the SF1N would be $399 for the body only or $460 with a 1.7 lens.

☐ **Canon:** The Sure Shot is Canon's best-seller in the military, according to John Ryan, military sales manager. He expects that the Sure Shot Ace (35mm, automatic LS), which was introduced in the fourth quarter of 1988, will probably be the best seller this year. Another new camera is the Snappy EZ 35mm LS, also introduced in the fourth quarter.

At the end of March, Canon presented the FR630 to exchanges. It's an autofocus SLR that has different program modes to suit the scene being photographed, Ryan explained. He said it will be introduced in April or May. He said Canon will have four or five other cameras to introduce in the second half of this year. MM

Navy Exchange SLR and Lens Shutter Camera Purchases

Company	Units	Dollars
Fuji	14,537	$1,417,923
Kodak	13,212	912,316
Keystone	12,477	524,974
Minolta	9,312	2,043,465
Canon	7,258	1,363,266
Pentax	6,668	1,183,706
Olympus	3,030	570,548
Vivitar	1,449	80,342
Nikon	1,376	215,186
Ricoh	1,327	208,522
Konica	1,180	69,620
Concord	400	11,770
Yashica	65	21,082

Fiscal 1988 purchases from U.S. sources only. Excludes off-shore procurements by overseas activities.

SOURCE: NAVRESSO

New NEX Items on 1989's Master Stock Assortment

Canon Sure Shot Ace ■ Fuji Discovery 60 ■ Fuji Discovery 160 ■ Kodak S900 ■ Minolta Maxxum 3000i SLR ■ Olympus Infinity Twin ■ Olympus Infinity Super Zoom ■ Pentax Mini Sport 35mm AF-II ■

Marketers Not Disposing of Disposables

Although the Photo Marketing Association reported last year that only 3.3 percent of all households had ever used a disposable camera, manufacturers remain optimistic about the little boxes.

"The disposable in both [the military and retail] trades all of a sudden is starting to find its niche," said Fuji's Bob Ferguson. "Consumers are just now beginning to discover what it is and what it does."

Fuji markets Quik Snaps — 35mm disposables — with and without a flash. The company has been promoting these cameras, educating users about the quality and possible uses. The company's Tom Shay said consumers sometimes assume a cheaper camera takes poorer pictures, but results with the disposables are "surprisingly good."

Kodak's Jim Tait admitted that disposables do have limited use, for "special situations." "We find it's a great camera for a kid's gift, or someone taking on photography for the first time." Another use is at theme parks, when people find they've forgotten their cameras.

Kodak now has a 35mm version of its Fling camera, which used to come only with 110 film. Tait said that, because of the growing interest in 35mm, the Fling 35 is the camera featured in exchanges.

Now, "disposables are taking pictures where often they [consumers] would've left the camera at home," said Fuji's Shay, director of corporate communications. "We look at it as additional business. It's expanding the market."

According to Shay, sales of the disposables represent a "good percent" of the firm's total sales. He said they entered a "strong and continued growth pattern" beginning last spring. — *K.M.*

Military Market index

COMMISSARIES

		JANUARY			YEAR TO DATE		
		CY'89	CY'88	% CHANGE	CY'89	CY'88	% CHANGE
	CONUS	$156,979	$157,492	-0.33	$156,979	$157,492	-0.33
	OVERSEAS	33,138	34,955	-5.20	33,138	34,955	-5.20
AIR FORCE	TOTAL	**190,117**	**192,447**	**-1.21**	**190,117**	**192,447**	**-1.21**
	CONUS	110,990	111,720	-0.65	110,990	111,720	-0.65
	OVERSEAS	42,000	42,525	-1.23	42,000	42,525	-1.23
ARMY	TOTAL	**152,990**	**154,245**	**-0.81**	**152,990**	**154,245**	**-0.81**
	CONUS	59,179	59,799	-1.04	59,179	59,799	-1.04
	OVERSEAS	6,842	6,612	3.48	6,842	6,612	3.48
NAVY	TOTAL	**66,021**	**66,411**	**-0.59**	**66,021**	**66,411**	**-0.59**
	CONUS	13,314	13,200	0.86	13,314	13,200	0.86
	OVERSEAS	285	284	0.35	285	284	0.35
MARINE CORPS	TOTAL	**13,599**	**13,484**	**0.85**	**13,599**	**13,484**	**0.85**
	CONUS	256	242	5.79	256	242	5.79
	OVERSEAS	316	318	-0.63	316	318	-0.63
COAST GUARD	TOTAL	**573**	**560**	**2.32**	**573**	**560**	**2.32**
	CONUS	$340,718	342,453	-0.51	340,718	342,453	-0.51
ALL	OVERSEAS	$82,581	84,694	2.49	82,581	84,694	2.49
COMMISSARIES	TOTAL	**$423,299**	**$427,147**	**-0.90**	**$423,299**	**$427,147**	**-0.90**
GROCERY STORES	*U.S.*[1]	*$25.742*	*$24.302*	*5.93*	*$25.742*	*$24.302*	*5.93*

EXCHANGES

		JANUARY			YEAR TO DATE		
		CY'89	CY'88	% CHANGE	CY'89	CY'88	% CHANGE
	CONUS	$237,650	$220,524	7.77	$237,650	$220,524	7.77
	OVERSEAS	200,477	198,752	0.87	200,477	198,752	0.87
AAFES	TOTAL	**438,127**	**419,277**	**4.50**	**438,127**	**419,277**	**4.50**
	CONUS[2]	79,272	83,819	-5.42	79,272	83,819	-5.42
	OVERSEAS[2]	37,788	40,117	-5.81	37,788	40,117	-5.81
NAVY	TOTAL[2]	**117,060**	**123,936**	**-5.55**	**117,060**	**123,936**	**-5.55**
	CONUS	18,465	18,898	-2.29	18,465	18,898	-2.29
	OVERSEAS	3,897	4,489	-13.19	3,897	4,489	-13.19
MARINE CORPS	TOTAL	**22,362**	**23,386**	**-4.38**	**22,362**	**23,386**	**-4.38**
	CONUS[3]	5,263	5,237	0.50	5,263	5,237	0.50
	OVERSEAS[3]	392	390	0.51	392	390	0.51
COAST GUARD	TOTAL[3]	**5,655**	**5,627**	**0.50**	**5,655**	**5,627**	**0.50**
	CONUS[3]	838	1,239	-32.36	838	1,239	-32.36
	OVERSEAS[3]	1,066	1,576	-32.36	1,066	1,576	-32.36
MAIL ORDER	TOTAL[4]	**1,904**	**2,815**	**-32.36**	**1,904**	**2,815**	**-32.36**
	CONUS	$341,488	$329,717	3.57	$341,488	$329,717	3.57
	OVERSEAS	$243,620	245,324	-0.69	243,620	245,324	-0.69
ALL EXCHANGES	TOTAL	**$585,108**	**$575,041**	**1.75**	**$585,108**	**$575,041**	**1.75**
DEPARTMENT STORES	*U.S.*[1]	*$9.191*	*$8.618*	*6.65*	*$9.191*	*$8.618*	*6.65*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

AN ANALYSIS OF EXCHANGE PRIVATE LABEL P[redacted]

Military Market

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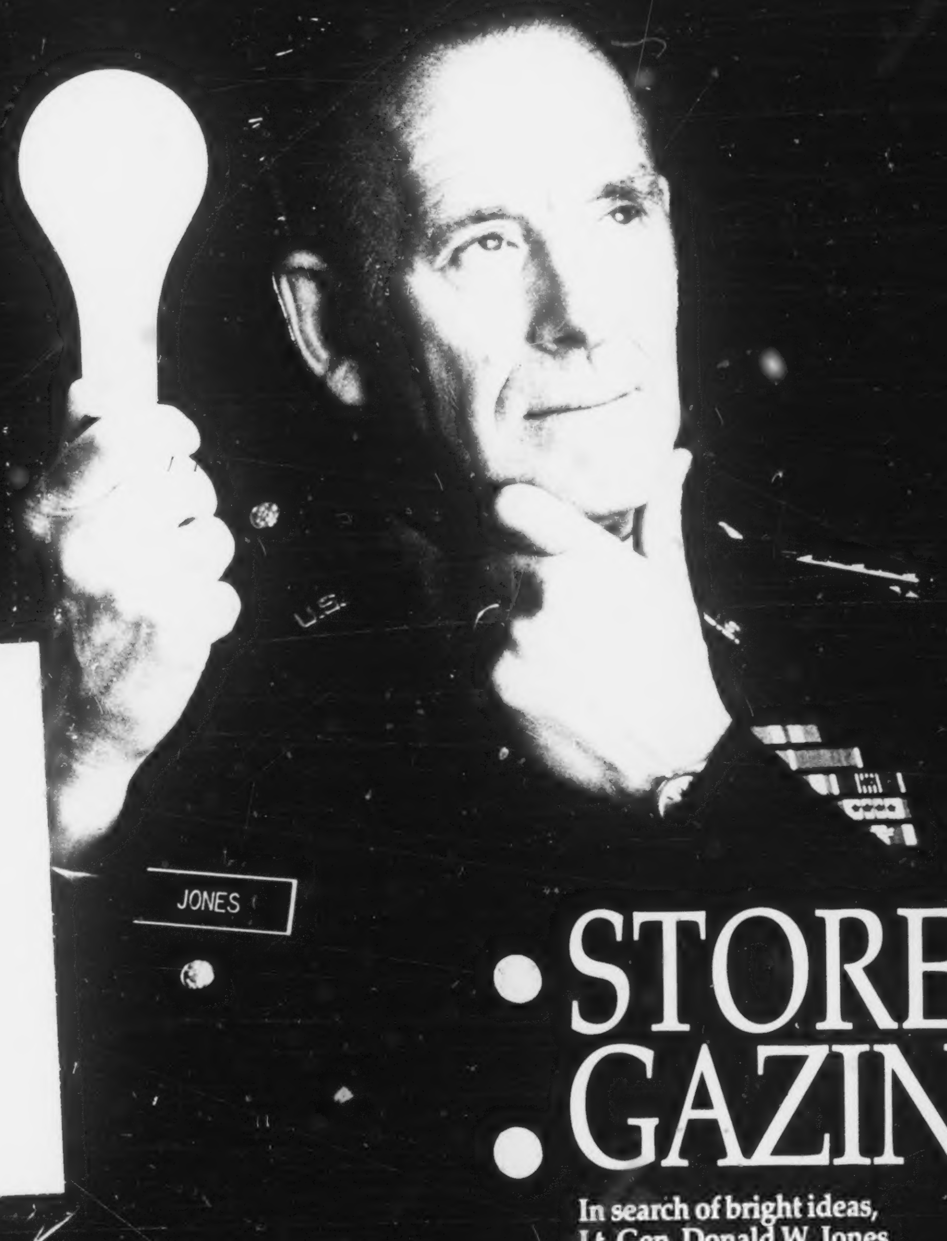

STORE GAZING

In search of bright ideas, Lt. Gen. Donald W. Jones and the Jones Commission prepare commissaries for the 21st century.

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COVER PHOTOGRAPH BY DOUG PENSINGER

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BASE CLOSINGS

Some Air Force stores will see dramatic sales increases

Sales at one Air Force commissary could more than double as a result of the base closings law, while sales at seven others may increase by 20 percent or more.

Based on a recent study, the Air Force Commissary Service has estimated the sales impact of the base closure law on adjacent commissaries. (The Air Force was the service most seriously affected by the base closures decision, since five of its bases will close completely.)

Commissaries on bases that are near Chanute AFB, Ill.; George AFB, Calif.; Mather AFB, Calif.; Norton AFB, Calif.; and Pease AFB, N.H., will see increased business when the law begins to take effect in January of next year. The increases will result from the transfer of personnel and the migration of retiree sales.

According to AFCOMS, March AFB, Calif., will see the greatest change — an estimated 112 percent boost in dollar sales. This base is slated to gain more than 2,200 personnel.

The commissary at McClellan AFB, Calif., will receive 62 percent more business, while the store at Beale AFB, Calif., will gain 22 percent. Commissaries at Edwards AFB and Travis AFB, Calif., will grow 23 percent and 12 percent respectively, in terms of dollar sales.

The Grissom AFB, Ind., commissary will also see a significant increase in sales: 38 percent. At Mountain Home AFB, Idaho — which is expected to gain nearly 2,000 servicemembers — commissary sales will rise an estimated 37 percent. Pease's neighbor, Hanscom AFB, Mass., will gain 33 percent in commissary sales, AFCOMS predicts.

Other predicted increases are as follows: Bergstrom AFB, Texas — 6 percent; Bolling AFB, D.C. — 13 percent; Cannon AFB, N.M. — 27 percent; Fairchild AFB, Wash. — 4 percent; Lowrey AFB, Colo. — 1 percent; McChord AFB, Wash. — 3 percent; Scott AFB, Ill. — 8 percent; and Sheppard AFB, Texas — 6 percent.

AFCOMS expects that the commissary at Andrews AFB, Md., will gain sales when the Army's Cameron Station, Va., store closes. However, an AFCOMS source said his agency was able to predict what that increase might be.

The predictions were based on surveys of shoppers and an analysis of predicted reassignments of personnel.

Commission taketh away, but giveth too

The following is a list of installations which would gain more than 100 jobs, according to the Commission on Base Realignment and Closure.

Arizona	
Yuma Proving Ground	+277
California	
Beale AFB	+781
Long Beach Naval Station	+461
March AFB	+3,420
McClellan AFB	+231
San Diego Naval Station	+1,495
Colorado	
Fort Carson	+700
Lowry AFB	+386
Hawaii	
Pearl Harbor Naval Station	+2,297
Idaho	
Mountain Home AFB	+1,949
Indiana	
Fort Benjamin Harrison	+1,309
Kentucky	
Fort Knox	+377
Massachusetts	
Fort Devens	+1,420
Maryland	
Fort Detrick	+241
Michigan	
Detroit Arsenal	+101
Missouri	
Fort Leonard Wood	+352
Mississippi	
Keesler	+191
New Jersey	
Picatinny Arsenal	+136
New Mexico	
Cannon AFB	+1,159
Kirtland AFB	+484
New York	
Plattsburg AFB	+104
Staten Island Naval Station	+788
Pennsylvania	
Letterkenny Army Depot	+536
Tobyhanna Army Depot	+434
South Carolina	
Fort Jackson	+787
Texas	
Bergstrom AFB	+963
Goodfellow AFB	+217
Ingleside Naval Station	+876
Sheppard AFB	+865
Virginia	
Fort Belvoir	+3,606
Fort Lee	+246
Washington	
Everett Naval Station	+676
Fairchild AFB	+138
McChord AFB	+755

In addition to changes at the affected facilities, a chart provided by the commission indicates that the changes would add 914 personnel in San Francisco, 415 in Chicago, 224 in Salt Lake City, 145 at Ft. Lewis, Wash., and 12 at Nellis AFB in Nevada.

SOURCE: Associated Press

MWR officials expect to get some of that real estate money

Pentagon MWR officials are hoping to recoup $91 million from the proceeds of property sales on stateside bases slated for closure.

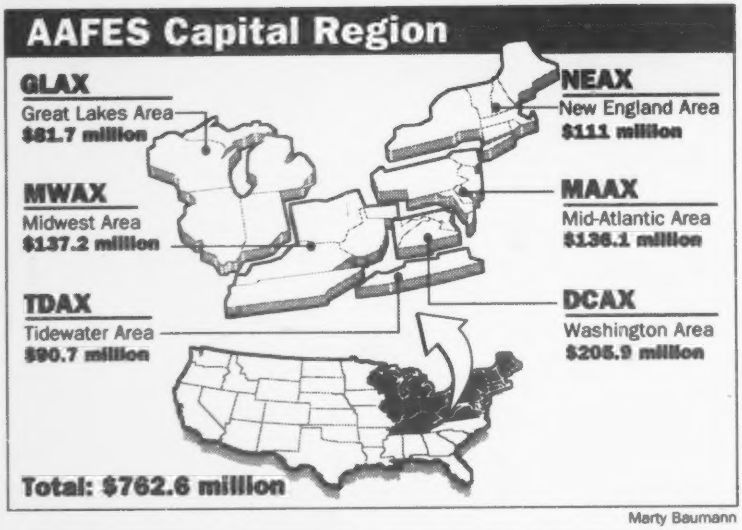
That amount will partially cover the value of commissaries, exchanges and other facilities on those installations which were built with surcharge dollars or other non-appropriated funds. Military officials think that money should be returned to MWR coffers to finance expansion on facilities on bases that will receive new personnel as a result of the base closure effort.

Army Lt. Gen. Donald W. Jones, the Deputy Assistant Secretary of Defense (Military Manpower and Personnel Policy), told **MILITARY MARKET** during an interview that the Defense Department has identified about $81 million worth of facilities that were built with non-appropriated funds, and another $10 million which were rehabilitated with NAF dollars.

He said DoD would like to be reimbursed for these. "There's about 91 million dollars out there that we would like to reclaim to put back into commissaries and PXs and snack bars and things of that nature . . .

"Some of the stuff we'll have to sell, and we'll have to generate some money before we'll be able to do that. But we've got a number of actions going on."

Capitol Hill response toward the move has been favorable, Jones said.



Marty Baumann

MILITARY MARKETPLACE ASSOCIATION

MMA, AAFES get together in Dayton

Nearly 200 people talked about exchange retailing during the Military Marketplace Association's first regional meeting, held in Dayton, Ohio — birthplace of the cash register.

The seminar, held April 25–26, met in conjunction with the first meeting of AAFES' Capital Exchange Region held since the region was consolidated in January.

About 85 Army and Air Force Exchange Service personnel attended, including general managers, exchange managers, area retail managers and main store managers.

More than 100 suppliers attending the MMA meeting interacted socially with the AAFES region personnel during a welcoming reception. Several said that the reception was one of the most productive segments of the MMA seminar, because business issues were discussed in a very relaxed atmosphere.

Region Chief Robert Winston updated industry on the region's performance and new ventures. Sales totaled $762.6 million for fiscal 1988. Since the merger of the Ohio Valley and Capitol regions in January, sales for the first quarter of fiscal 1989 are $12 million ahead when compared to last year.

One of the major issues challenging the region is a lack of organization in stockrooms, Winston said. "It is absolutely necessary that we recognize that the lack of business is due to lack of organization," he added.

The region has a program that will completely reorganize stockrooms. "We want to align the stockroom to look like the sales floor," said Winston. The program, which began in the Ohio Valley region during the summer of 1987, will help reduce unnecessary inventory quickly, since associates will know exactly what items are on-hand and which need to be reordered.

"Since we initiated the program, we have improved the overall inventory posture," Winston said. The region is currently about $5 million below programmed inventory, in relation to the allowable stock-to-sales ratio, he explained.

Master Stock Assortment Catalog —

Industry representatives complained that revised master stock assortment catalogs (Inventory Management Purchase Order catalogs) aren't getting to exchanges quickly enough.

Manufacturers who have had a product added or deleted said there must be glitches in the system, since stores are not often aware of changes made to the list. When it is time to reorder merchandise, accurate data is crucial, but apparently it isn't always available at store level.

Open Purchase Orders —

Open purchase orders should have a standard format, suppliers said. Manufacturers are having a very difficult time with them since they vary so much. Having a uniform form for OPOs would speed the time it takes to process these orders.

In addition, buyers are often taking too long to sign OPOs. Regions should emphasize the importance of quick decision-making on OPOs, the MMA members said.

AAFES TRIM, from page 5.

managerial. The cuts will take place over an undetermined period of time, according Heaberg. The changes will force some employees to assume added responsibilities and others to move elsewhere within the agency, he said.

For instance, the responsibilities of the deputy director of public affairs (Dub Bush) and the chief of customer relations (Larry Phillips) will be combined. One of them will have to move elsewhere to assume another job within the agency.

"Others in the retailing industry have gone through major restructuring in the past year, including J.C. Penney and Sears," said Heaberg, "and we're no different . . . We're trying to improve customer service, increase efficiency and reduce overhead operating costs."

AAFES is also reorganizing its worldwide distribution and transportation functions. The AAFES Distribution Region (ADR) headquarters in Atlanta and the headquarters Distribution Directorate (DD) in Dallas were disestablished in April.

Their functions will now be handled by Dan Sauder, chief of AAFES distribution, and by Shirley Loewy's distribution management staff in Dallas. Loewy, the senior civilian on the headquarters distribution staff, will assume responsibilities in operations and inventory management.

ADR's former finance and accounting, inventory management, quality assurance, and safety and security functions will continue in Atlanta under the current configuration. The transportation management function, headed by Jim McCoy, will remain in its current location, but the reporting chain will shift to Lt. Col. Bill Dunn, chief of the transportation division.

The change means that the Management Information Systems office at headquarters will control data processing for the distribution centers in Atlanta and Oakland. Personnel management functions will be integrated into other branches within the headquarters or at Atlanta.

Distribution planning, currently done in Atlanta and Dallas, will be merged into one division, to be handled by the chief of distribution at headquarters.

The contracting function, formerly done by ADR, will be integrated into the Purchasing Directorate. Oversight of distribution equipment and facilities functions will also be transferred to Dallas.

Military Market index

COMMISSARIES

		FEBRUARY			YEAR TO DATE		
		CY'89	CY'88	% CHANGE	CY'89	CY'88	% CHANGE
	CONUS	$162,954	$143,985	13.17	$319,933	$301,477	6.12
	OVERSEAS	35,339	31,884	10.84	68,477	66,839	2.45
AIR FORCE	TOTAL	**198,292**	**175,869**	**12.75**	**388,410**	**368,315**	**5.46**
	CONUS	109,515	105,630	3.68	220,505	217,350	1.45
	OVERSEAS	41,055	40,740	0.77	83,055	83,265	-0.25
ARMY	TOTAL	**150,570**	**146,370**	**2.87**	**303,560**	**300,615**	**0.98**
	CONUS	64,349	60,119	7.04	123,529	119,918	3.01
	OVERSEAS	7,051	6,798	3.72	13,893	13,410	3.60
NAVY	TOTAL	**71,400**	**66,917**	**6.70**	**137,421**	**133,329**	**3.07**
	CONUS	12,465	11,808	5.56	25,779	25,008	3.08
	OVERSEAS	275	268	2.61	560	552	1.45
MARINE CORPS	TOTAL	**12,740**	**12,076**	**5.50**	**26,339**	**25,560**	**3.05**
	CONUS	271	250	8.40	527	492	7.11
	OVERSEAS	289	278	3.96	605	596	1.51
COAST GUARD	TOTAL	**560**	**527**	**6.26**	**1,133**	**1,088**	**4.14**
	CONUS	$349,554	$321,792	8.63	$690,273	$664,245	$3.92
	OVERSEAS	$84,009	$79,968	$5.05	$166,590	$164,662	1.17
ALL COMMISSARIES	TOTAL	**$433,563**	**$401,760**	**7.92**	**$856,863**	**$828,907**	**3.37**
GROCERY STORES	*U.S.[1]*	*$24.364*	*$23.184*	*5.09*	*$49.973*	*$47.399*	*5.43*

EXCHANGES

		FEBRUARY			YEAR TO DATE		
		CY'89	CY'88	% CHANGE	CY'89	CY'88	% CHANGE
	CONUS	$257,960	$243,175	6.08	$495,610	$463,699	6.88
	OVERSEAS	201,850	205,170	-1.62	402,327	403,923	-0.40
AAFES	TOTAL	**459,810**	**448,345**	**2.56**	**897,936**	**867,621**	**3.49**
	CONUS[2]	91,595	88,402	3.61	170,867	172,221	-0.79
	OVERSEAS[2]	37,801	37,079	1.95	75,589	77,195	-2.08
NAVY	TOTAL[2]	**129,396**	**125,481**	**3.12**	**246,457**	**249,417**	**-1.19**
	CONUS	36,223	31,375	15.45	54,687	50,273	8.78
	OVERSEAS	5,917	5,373	10.12	9,815	9,861	-0.47
MARINE CORPS	TOTAL	**42,140**	**36,748**	**14.67**	**64,502**	**60,134**	**7.26**
	CONUS[3]	6,013	5,983	0.50	11,276	11,220	0.50
	OVERSEAS[3]	448	446	0.45	840	836	0.48
COAST GUARD	TOTAL[3]	**6,461**	**6,429**	**0.50**	**12,116**	**12,056**	**0.50**
	CONUS[3]	1,316	1,638	-19.66	2,154	2,877	-25.13
	OVERSEAS[3]	2,159	2,687	-19.65	3,225	4,262	-24.33
MAIL ORDER	TOTAL[4]	**3,475**	**4,324**	**-19.63**	**5,379**	**7,139**	**-24.65**
	CONUS	$393,107	$3705733	6.08	$734,594	$700,290	4.90
	OVERSEAS	$248,175	250,755	-1.03	491,796	496,077	-0.86
ALL EXCHANGES	TOTAL	**$641,282**	**$621,328**	**3.21**	**$1,226,390**	**$1,196,367**	**2.51**
DEPARTMENT STORES	*U.S.[1]*	*$9.160*	*$8.838*	*3.64*	*$18.307*	*$17.448*	*4.92*

1) SOURCE U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, exchange sales include concession volume.

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Military Market

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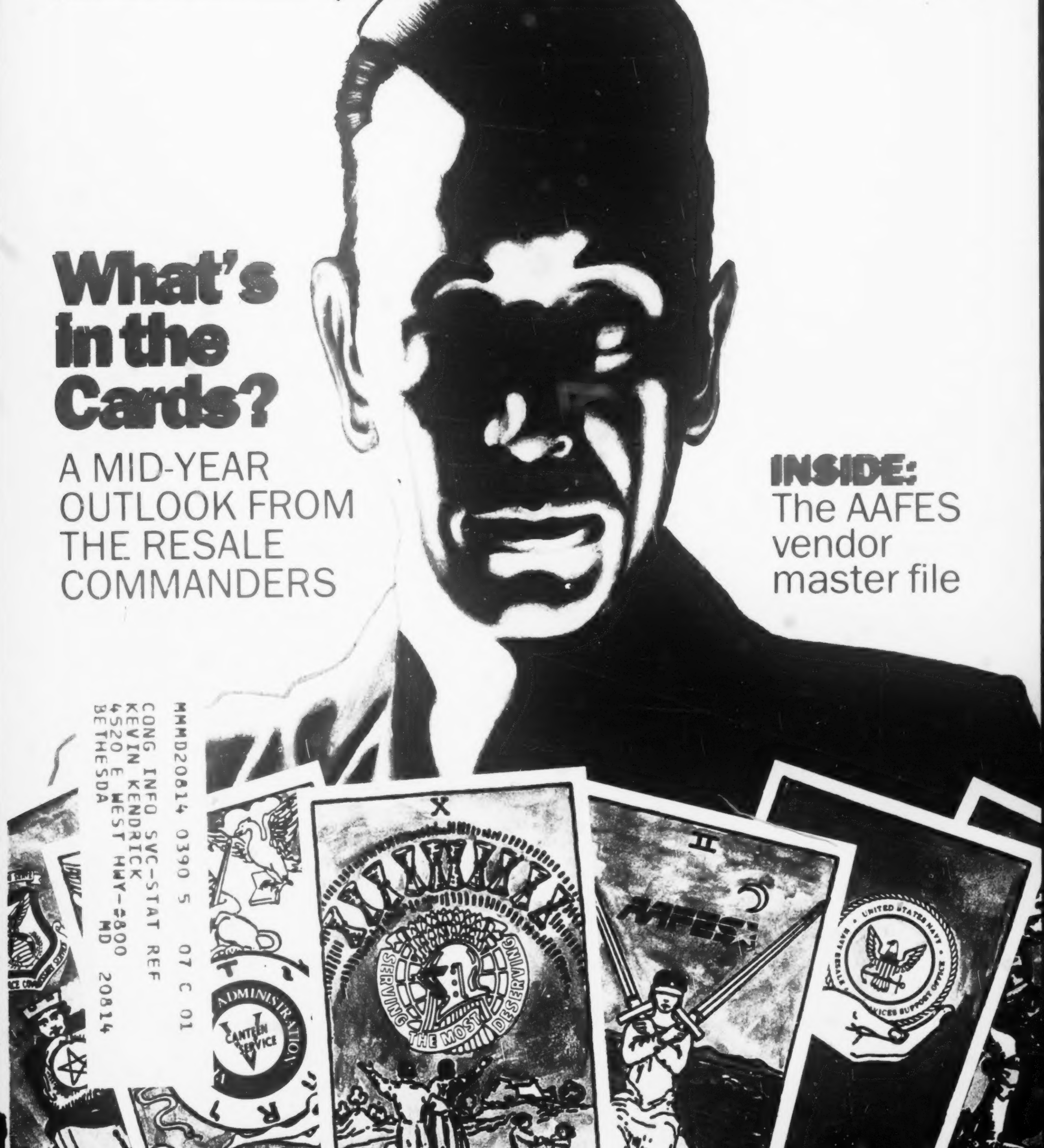
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SERVING THE MOST DESERVING
ADMINISTRATION
CANTEEN SERVICE
II
AAFES
UNITED STATES NAVY
NAVY RESALE
SERVICES SUPPORT OFFICE

What's in the Cards?

A MID-YEAR
OUTLOOK FROM
THE RESALE
COMMANDERS

INSIDE:
The AAFES
vendor
master file

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COVER DESIGN & ILLUSTRATION BY MARTY BAUMANN

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serving the military resale system

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Military Market index

COMMISSARIES

		MARCH			YEAR TO DATE		
		CY'89	CY'88	% CHANGE	CY'89	CY'88	% CHANGE
	CONUS	$180,337	$162,364	11.07	$500,270	$463,841	7.85
	OVERSEAS	38,946	33,522	16.18	107,422	100,361	7.04
AIR FORCE	TOTAL	**219,283**	**195,887**	**11.94**	**607,692**	**564,202**	**7.71**
	CONUS	127,680	119,000	7.29	348,185	336,350	3.52
	OVERSEAS	46,410	45,780	1.38	129,465	129,045	0.33
ARMY	TOTAL	**174,090**	**164,780**	**5.65**	**477,650**	**465,395**	**2.63**
	CONUS	81,092	74,946	8.20	204,621	194,864	5.01
	OVERSEAS	8,542	8,339	2.43	22,465	21,749	3.15
NAVY	TOTAL	**89,634**	**83,285**	**7.62**	**227,056**	**216,614**	**4.82**
	CONUS	16,604	16,162	2.73	42,383	41,170	2.95
	OVERSEAS	366	340	7.65	925	892	3.70
MARINE CORPS	TOTAL	**16,970**	**16,502**	**2.84**	**43,308**	**42,062**	**2.96**
	CONUS	333	319	4.39	860	811	6.04
	OVERSEAS	319	271	17.71	925	867	6.69
COAST GUARD	TOTAL	**652**	**590**	**10.51**	**1,785**	**1,678**	**6.38**
	CONUS	$406,046	$372,791	8.92	$1,096,319	$1,037,036	5.72
ALL	OVERSEAS	$94,583	$88,252	7.17	$261,172	$252,914	3.27
COMMISSARIES	TOTAL	**$500,629**	**$461,043**	**8.59**	**$1,357,491**	**$1,289,950**	**5.24**
GROCERY STORES	*U.S.*[1]	*$27.599*	*$25.339*	*8.92*	*$77.572*	*$72.738*	*6.65*

EXCHANGES

		MARCH			YEAR TO DATE		
		CY'89	CY'88	% CHANGE	CY'89	CY'88	% CHANGE
	CONUS	$287,996	$269,248	6.96	$783,605	$732,946	6.91
	OVERSEAS	218,721	216,287	1.13	621,046	620,209	0.14
AAFES	TOTAL	**506,717**	**485,535**	**4.36**	**1,404,653**	**1,353,155**	**3.81**
	CONUS[2]	120,101	112,103	7.13	290,968	284,324	2.34
	OVERSEAS[2]	47,606	47,434	0.36	123,196	124,629	–1.15
NAVY	TOTAL[2]	**167,707**	**159,537**	**5.12**	**414,164**	**408,953**	**1.27**
	CONUS	36,120	31,274	15.50	90,807	81,547	11.36
	OVERSEAS	5,880	5,099	15.32	15,694	14,960	4.91
MARINE CORPS*	TOTAL	**42,000**	**36,373**	**15.47**	**106,501**	**96,507**	**10.36**
	CONUS[3]	6,466	6,434	0.50	17,742	17,654	0.50
	OVERSEAS[3]	481	479	0.42	1,322	1,315	0.53
COAST GUARD	TOTAL[3]	**6,947**	**6,913**	**0.49**	**19,064**	**18,969**	**0.50**
	CONUS[3]	975	1,385	–29.60	3,129	4,262	–26.58
	OVERSEAS[3]	1,716	2,003	–14.33	4,941	6,266	–21.15
MAIL ORDER	TOTAL[4]	**2,691**	**3,388**	**–20.57**	**8,070**	**10,528**	**–23.35**
	CONUS	$451,658	$420,444	7.42	$402,646	$387,787	3.83
	OVERSEAS	$274,404	$271,302	1.14	$766,201	$767,379	–0.15
ALL EXCHANGES	TOTAL	**$726,062**	**$691,746**	**4.96**	**$1,168,847**	**$1,155,166**	**1.18**
DEPARTMENT STORES	*U.S.*[1]	*$12.247*	*$11.508*	*6.42*	*$30.554*	*$28.956*	*5.52*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

* Marine Corps exchange sales estimated. Due to consolidation in progress, actual sales are not available.

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Military Market

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You're Invited

to the Coast Guard's Bicentennial Party

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☐ Although 1988 sales and dividends were up, AAFES' contribution to the services' MWR funds was below what had been planned: Fiscal 1988 earnings were down an estimated 18 percent. ☐ Brig. Gen. James S. Hayes, TSA boss, who was slated to head up DPSC, abruptly announced his plans to retire. ☐ Jones Commission asks for more time to finish its job. ☐ Armed Services wants the military in Korea to stop harassing commissary and exchange customers in the name of cracking down on black marketing. ☐ So, you were worried? President Bush signed the emergency funding bill, rescuing AAFES from its overseas transportation crisis. 4

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SNACK FOODS

Snacks Go Up, Up, Up, But Not in Commissaries

Everywhere else, sales of salted snacks and candies have increased.

Snack sales in commissaries have lost their crunch.

At the same time, sales of candy and salty snacks are making some noise in the civilian sector. The Snack Food Association reports "significant growth" for salty snacks in 1988 — record retail sales of $10.28 billion. Pound volume of salted snacks rose 2.1 percent, while dollar sales were up 4.1 percent.

The same trend was true for candy sales. According to American Consulting Corp., which calculates shipments and sales based on Census Bureau information, candy shipments and dollar sales each increased by about 4 percent between 1987 and 1988.

But commissary data move in the opposite direction.

According to Military Audits of Market Information (MAMI), the total pound volume of salty snacks sold in commissaries in 1988 was 32,079,000 pounds — down 3.7 percent from 1987. Dollar sales in the same period were $62,005,000, a 2.5-percent drop.

For the 12 months ending in December 1988, total ConUS chocolate candy sales were $44,535,000, according to MAMI. This was a 3.2-percent decrease from the year before. In terms of unit sales, the decline was 4.1 percent for all commissaries.

The drop in dollar sales of candy was biggest in Navy commissaries, possibly because of a transfer of sales to package stores. There, MAMI data showed sales were down 8.5 percent. Army commissaries saw a 4-percent decrease, while Air Force stores lost only .9 percent.

For 1989, *The Confectioner* estimates that the number of pounds of candy shipped will be about 3 percent greater than in 1988. Dollar sales should go up about 3.3 percent. According to the magazine, 1.8 percent of confectionery factory sales goes to the government or military.

With sales of snacks on the rise in commercial stores, why are they declining in commissaries?

One explanation could be that shoppers are buying more snack items in exchanges, shoppettes and package stores.

In the Army and Air Force Exchange Service, sales of salty snacks are up about 6 percent to 7 percent, as estimated by Jack Pegues, senior buyer for candy, snacks, tobacco and soda. He said that candy growth is about 2 percent to 4 percent.

In the Navy Resale and Services Support Office, exchange sales of candy and confections were up 2.6 percent in 1988.

AAFES' Pegues stressed the importance of merchandising when it comes to increased sales. "Snack sales are very impulse-oriented. The more you make them available, the better sales you'll have."

Industry experts agree with Pegues' analysis.

Jim Echeandia, co-owner of American Consulting and co-publisher of *The Confectioner*, believes it's important to devote enough space to the singles candy section. This is because even the 20th best-selling singles candy probably outsells most other individual items in the store.

"There is a tendency — misguided, according to the experts — to reduce the singles display area in line with 'clean front-end appearance' or 'lower sight lines,' or to earn display allowances from other product categories," Echeandia wrote recently. "In most instances, this is a very expensive decision."

Army and Air Force commissaries follow this clean front-end philosophy. Lisbeth Echeandia, co-publisher of the magazine, told MILITARY MARKET that when stores, such as commissaries, keep checkouts clear of candy, they are losing money. "There's an opportunity for tremendous sales. Candy is primarily an impulse item."

NAVRESSO, which does merchandise candy at the front end of commissaries, reports that the front-end racks "contribute significantly to the category growth." On the exchange side, more candy sales are generated at the front end than from the regular gondolas.

Snack sales are more seriously affected by not-in-stocks than are other categories. "The point is that a hole on the candy shelf loses you more than a hole in most other sections," said John Phipps, director of consumer products consulting for Touche Ross & Co., at a convention of the National Grocers Association.

Therefore, another reason for declining commissary snack sales could be lost opportunities at the front end or poor in-stock positions. Military shoppers may be prompted to buy snacks in civilian stores, rather than on base.

Reports by Karen McBeth, Associate Editor

SNACK FOODS

Sweet Mergers, New Items

Biting into a bar of plain chocolate is rather like the candy industry itself — solid, predictable and familiar. *The Confectioner* magazine reports that, of the top-50 candy bars in today's market, 44 percent were introduced more than 50 years ago. Only 10 percent have been introduced within the past 10 years.

Hershey Food Corp.'s first place in the industry melted away during the '70s, when long-time competitor M&M/Mars Inc. took the lead in market share.

But last August, Hershey bounced back after it acquired the U.S. confectionery division of Cadbury Schweppes Foods. According to American Consulting Corp., the acquisition gave Hershey about a 21-percent share of the total candy market, while Mars held at 18.5 percent.

Nielsen data show that, for the chocolate candy category, Hershey/Cadbury holds 43 percent of the dollar share, while M&M/Mars stands at 36 percent.

In the commissary market, the shares of the two leaders are very close — MAMI data show Hershey/Cadbury with 37 percent of the chocolate dollar share, while Mars has 36 percent.

The other contenders in the chocolate category are far behind: MAMI lists Nestle with a 5-percent dollar share, while Planters Lifesaver has 4 percent. All other manufacturers combine to hold 18 percent.

Based on the 12-month package sales ending in March 1989, the top 10 candy items according to MAMI are:

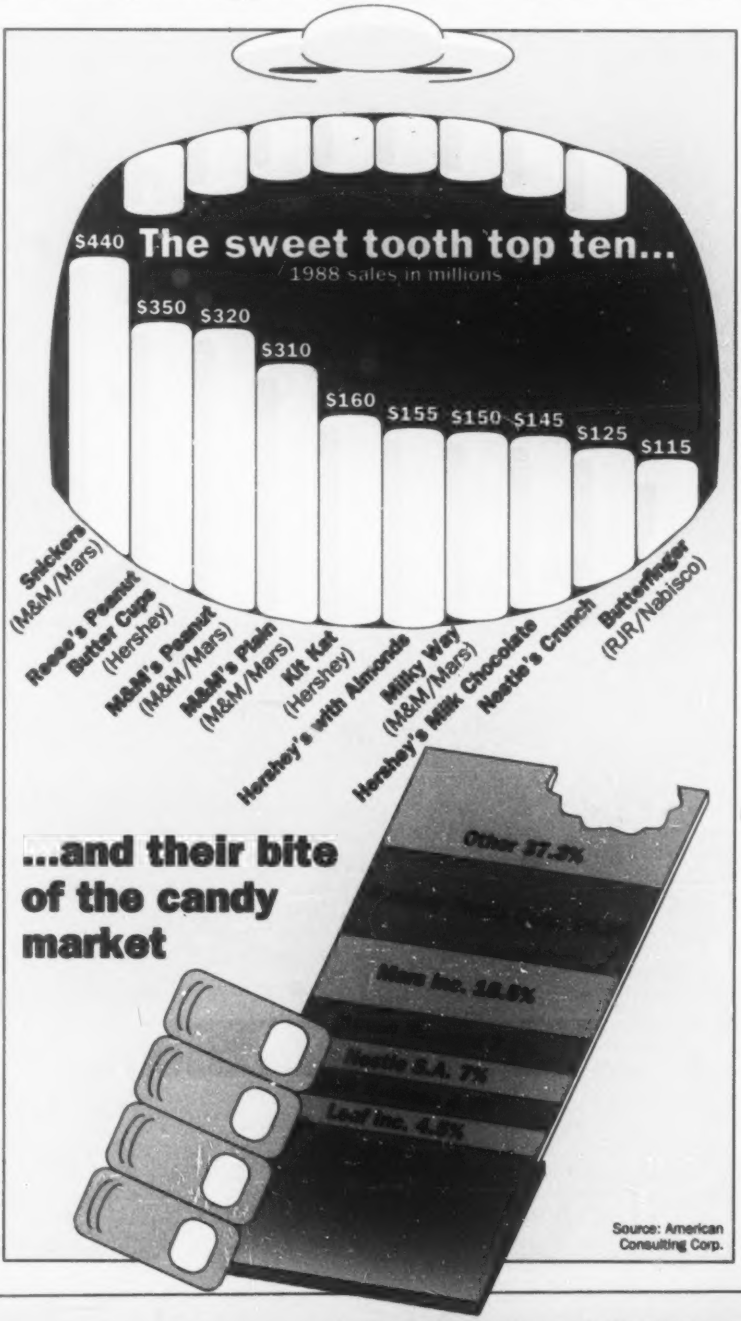
#1 — Snickers 16 oz. snack size;
#2 — Peanut M&Ms 16 oz.;
#3 — Snickers 6-pack;
#4 — Plain M&Ms 16 oz.;
#5 — Hershey Kisses 14 oz.;
#6 — Reeses Peanut Butter Cup 6-pack;
#7 — Hershey Miniatures 14 oz.;
#8 — Milky Way 16 oz. Snack size;
#9 — Reeses Peanut Butter Cup 13.8 oz. snack size and
#10 — Kit Kat 6-pack.

The Troop Support Agency reports that in a typical large store (sales $2.8 million a month), monthly item movement is 27,771 units, with approximate dollar sales of $27,000. This is .98 percent of overall dollar sales and 1.31 percent of overall item movement.

The Hershey acquisition wasn't the only one to change corporate market shares. Leaf Inc., a small company that has acquired traditional candies like Good & Plenty, Milk Duds and Clark, already this year has gained four percentage points in the overall non-chocolate market. According to the *Wall Street Journal*, Leaf now holds 20 percent of that category, and "is fast evolving into a major competitor in the U.S. candy market."

It is possible that the KKR acquisition of Nabisco may lead to the sale of the Baby Ruth and Butterfinger lines, according to American Consulting's Lisbeth Echeandia, co-publisher of *The Confectioner*. She also sees consolidation at the retail level.

The market share shakeup could be good for new product introductions.



Source: American Consulting Corp.

Mars, which for many years relied on a few big-sellers like Snickers, is now churning out new candies. James Echeandia, co-owner of American Consulting and co-publisher of *The Confectioner*, describes the company's output as "an unheard of barrage" of new products.

"In the next 12 months, we'll probably introduce more new items and more exciting items than we did in the past 10 years," national military sales manager Jim Finelli told MILITARY MARKET.

In January, the company brought Bounty — a bar similar to Hershey's Mounds — from Europe to the U.S. without testing it first; national distribution was scheduled to be complete in July. A cereal bar called Balisto is in test in the Midwest, although no military stores are involved. PB Max is a peanut-butter product similar to Reese's Peanut Butter Cups. Finelli said it will roll national in the military next year.

Peanut butter M&Ms, which unlike Reese's Pieces have chocolate, are being tested in several East Coast test markets. Finelli said they will roll either nationally or regionally. The military hasn't been involved in the test. The company is now launching Suissande, a premium chocolate line for adults. Finelli said that Mars is also adding some new Christmas candies: M&Ms with mint and with almonds inside.

To top it off, *Advertising Age* reports that a new flavor of Snickers is under consideration.

Hershey isn't sitting idle. James Nolan, national accounts manager, government, said a new, upscale, European-style chocolate bar called Symphony is going national in September. Chip Away, a chocolate-covered cookie bar, is being tested in civilian and military stores in California.

Nolan said that the Peter Paul/Cadbury lines have "fit very nicely" with the Hershey brands, and military buyers have been pleased with the way the products line up together.

The Confectioner reported that Nestle is testing a candy called Twiffics, a bite-sized piece shaped like a corn chip, with a wafer center covered with milk and dark chocolate.

According to the Echeandias, the price of candy bars will rise to at least 50 cents, while 60-cent or 65-cent pricing will be common. Premium adult and seasonal confections will be the strongest growth segments. Low-calorie, low-fat candies will start slowly and gain popularity.

Popcorn Makes Big Jump

Potato chips continue salted reign.

Despite a potato shortage caused by last summer's drought, potato chips and other salted snack foods bagged big sales gains last year.

Popcorn saw the biggest jump: a 28.4-percent increase in dollar sales of microwavables and a 23.3-percent increase in sales for pre-popped popcorn. According to the Snack Food Association (SFA), sales of unpopped popcorn sales "have clearly been hurt" by microwavable popcorn. They dropped 7.8 percent in dollar sales and 8.4 percent in pounds.

At least one of the commissary services has organized shelfspace to account for this trend. The Air Force Commissary Service planogram for popcorn devotes 58 out of its 80 facings to microwavable items. MAMI data showed unpopped popcorn, which includes microwavable, as growing 14.2 percent in dollar sales.

Potato chips are still the largest category in the salted snack industry, although they did lose share points last year relative to other categories. The drought may have been a factor, because last fall manufacturers began to cut back on promotions and raise prices, according to the SFA.

Brian Kennedy, sales director for Borden Inc., explained that commissaries also saw price increases for potato chips during autumn, but some of the prices were brought back

IN THE NAVY —

Top-ten candies in commissaries:

1 — Snickers
2 — M&M Peanuts
3 — Snickers (six pack)
4 — M&M Plain
5 — Hershey Kisses
6 — Hershey Peanut Butter Cups
7 — Hershey Miniatures
8 — Milky Way
9 — Kit Kat (six pack)
10 — Reeses Peanut Butter Cups

... and top-ten candies in exchanges:

1 — Snickers
2 — Reeses Peanut Butter Cups
3 — M&M Peanuts
4 — Kit Kat
5 — M&M Plain
6 — Hershey With Almonds
7 — Milky Way
8 — Twix
9 — Three Musketeers
10 — Butterfingers

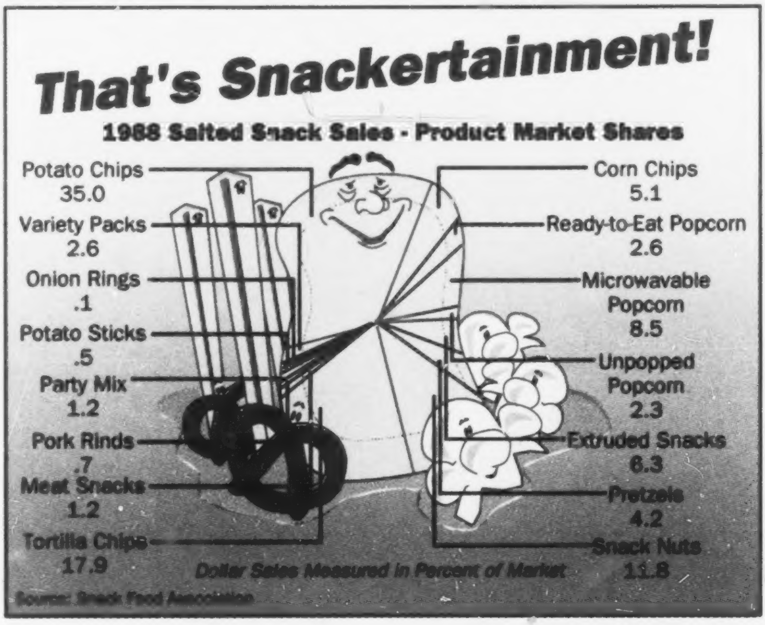
SOURCE: NAVRESSO

IN THE ARMY —

Top-ten chocolate candies in commissaries:

1 — Snickers (snack size)
2 — Hershey Kisses
3 — Milky Way (snack size)
4 — Reeses Cups (snack size)
5 — M&M Peanuts
6 — Hershey Miniatures
7 — M&M Plain
8 — Snickers (king size)
9 — Three Musketeers (snack size)
10 — Snickers (six pack)

SOURCE: T/A; rankings are for an average large commissary.



Source: Snack Food Association

Lee Cervera

down in the spring. "It's getting closer to an even keel based on moderate levels [of potatoes] because of the drought. But with the raw potato yield down, prices are still higher than they were a couple of years ago." He said that this year, some farmers in the South planted early in the hopes that an early yield would ease the shortage. But a lot of rain and a late frost have already hurt that crop.

The potato chip category overall still saw a 3.9-percent gain in pound volume and a 4.8-percent increase in dollar sales.

Sales of tortilla chips increased 3.9 percent in pound volume and 2.4 percent in dollar sales. Pork rinds [illegible] Presidential favorite, saw sales gains of 16.4 percent in pound volume and 11.4 percent in dollar sales.

Categories which lost sales in 1988 were snack nuts, corn chips, pretzels and meat snacks. Sales of snack nuts fell 9.4 percent in pound volume, while corn chips' pound volume dropped 4.6 percent and extruded snacks suffered a 2.7-percent decrease. Pretzel sales were up slightly in dollars but down slightly in pound volume.

The military saw some of the same declines — and more.

According to MAMI data for the 12 months ending in December 1988, dollar sales of potato chips were down 3.8 percent. Snack nuts dropped 9.7 percent; tortilla chips dollar sales declined by a half percent. Corn chips and pretzels both declined 2.1 percent in dollar sales. Sales of nutritional snacks and meat snacks were nearly flat.

Dried fruit sales were up 2.3 percent, and the cheese puff category grew 1.8 percent.

Shoppers in the different commissary systems displayed disparate tastes in snack items:

- For example, potato chips lost more sales in AFCOMS than in Army or Navy commissaries.
- Snack nuts declined the most in the Troop Support Agency. The agency reports that monthly item movement for snack nuts in a typical large store is 4,700 units, or $8,200. The top-seller in that store is Eagle Honey Roasted Peanuts. Planters Cocktail Peanuts are second.
- Sales of nutritional snacks were down in TSA and AFCOMS, but up in the Navy Resale and Services Support Office.
- Most of the decline in tortilla chip sales was seen in TSA. That agency reports that in a typical large store, total snack food monthly item movement is 2.57 percent of overall dollar sales and 2.37 percent of overall item movement.
- Miscellaneous salty snack sales were down in TSA and AFCOMS, but sales of these items were up 4.1 percent in NAVRESSO.
- Dried fruit dollar sales were up in TSA, down in AFCOMS and NAVRESSO.
- Sales of meat snacks were down 9.8 percent in TSA, but they were up 4.8 percent in AFCOMS and 1.7 percent in NAVRESSO.

MAMI reports that, based on the 1988 12-month package sales, the top-selling products were:

#1 — Doritos 16-oz. Nacho Tortilla Chips;
#2 — Ruffles 13-oz. potato chips;
#3 — Frito-Lay 12-pack variety pack;
#4 — Lay's 15-oz potato chips;
#5 — Doritos 12-oz. Nacho Tortilla Chips;
#6 — Fritos 17-oz. corn chips;
#7 — Pringles 7.5-oz. chips;
#8 — Cheetos 8-oz. Cheese Puffs;
#9 — Pringles 6.5-oz. Light Chips and
#10 — Tostitos 16-oz. Traditional Tortilla Chips.

In new snack news, the additions are mostly extensions to existing lines.

FRITO-LAY

According to the SFA, Frito-Lay began testing low-oil Ruffles potato chips and Cheetos in late August last year, and the test is continuing. A company spokeswoman said that the new Doritos Lights were rolled into 60 percent of the country in April.

Advertising Age reports that the company soon will move into several markets with cannister-packed versions of its popular salty snacks. The cannister line has been testing quietly in Orlando, Fla., for about nine months.

BORDEN

Borden's Kennedy told MILITARY MARKET that the Krunchers! line is the fastest growing product for the company right now. He said it will soon be available in additional markets. The SFA reports that Krunchers earned $35 million in 1988 and that Borden has identified the product as a future national brand.

According to *Ad Age,* Borden is testing Wise Choice low-salt, no-cholesterol popcorn in New York and New England — soon to roll down the Eastern Seaboard.

M&M/MARS

M&M/Mars has added two new flavors to its Combos line: These are pepperoni-and-cheese and sausage-and-cheese, and they have a pizza crust instead of pretzel or cracker.

Jim Finelli, national sales manager, military, told MILITARY MARKET, "Combos are going wild in the military." He said Combos saw 50-percent growth in the civilian industry and double that growth in the military.

The success of the heathful snack items is under debate. *Supermarket News* reports "salty snacks with less salt are entering the mainstream." But, according to the SFA, unsalted snacks still remain a small niche in the market. MM

Military Market index

COMMISSARIES

		APRIL			YEAR TO DATE		
		CY'89	CY'88	% CHANGE	CY'89	CY'88	% CHANGE
	CONUS	$179,840	$171,506	4.86	$680,110	$635,347	7.05
	OVERSEAS	39,686	43,021	-7.75	147,109	143,382	2.60
AIR FORCE	TOTAL	**219,526**	**214,527**	**2.33**	**827,218**	**778,729**	**6.23**
	CONUS	121,590	116,760	4.14	469,775	453,110	3.68
	OVERSEAS	45,045	45,990	-2.05	174,510	175,035	-0.30
ARMY	TOTAL	**166,635**	**162,750**	**2.39**	**644,285**	**628,145**	**2.57**
	CONUS	63,892	60,409	5.77	268,513	255,274	5.19
	OVERSEAS	7,166	7,120	0.65	29,601	28,870	2.53
NAVY	TOTAL	**71,058**	**67,530**	**5.22**	**298,113**	**284,143**	**4.92**
	CONUS	14,634	14,382	1.75	57,017	55,552	2.64
	OVERSEAS	353	324	8.95	1,278	1,216	5.10
MARINE CORPS	TOTAL	**14,987**	**14,707**	**1.90**	**58,295**	**56,768**	**2.69**
	CONUS	260	248	4.84	1,120	1,059	5.76
	OVERSEAS*	406	252	61.11	1,331	1,119	18.95
COAST GUARD	TOTAL	**666**	**501**	**32.93**	**2,451**	**2,178**	**12.53**
	CONUS	$380,216	$363,305	4.65	$1,476,535	$1,400,342	5.44
	OVERSEAS	$92,656	$96,707	-4.19	$353,829	$349,622	1.20
ALL COMMISSARIES	TOTAL	**$472,872**	**$460,012**	**2.80**	**$1,830,364**	**$1,749,964**	**4.59**
GROCERY STORES	*U.S.*[1]	*$26.636*	*$25.118*	*6.04*	*$104.309*	*$97.856*	*6.59*

EXCHANGES

		APRIL			YEAR TO DATE		
		CY'89	CY'88	% CHANGE	CY'89	CY'88	% CHANGE
	CONUS	$323,379	$287,449	12.50	$1,106,985	$1,020,395	8.49
	OVERSEAS	246,605	232,859	5.90	867,653	853,068	1.71
AAFES	TOTAL	**569,984**	**520,307**	**9.55**	**1,974,637**	**1,873,463**	**5.40**
	CONUS[2]	106,520	95,870	11.11	397,488	380,194	4.55
	OVERSEAS[2]	42,961	41,976	2.35	166,156	166,605	-0.27
NAVY	TOTAL[2]	**149,481**	**137,845**	**8.44**	**563,645**	**546,798**	**3.08**
	CONUS	23,817	31,529	-24.46	103,788	113,076	-8.21
	OVERSEAS	3,351	5,353	-37.40	16,574	20,313	-18.41
MARINE CORPS**	TOTAL	**27,168**	**36,883**	**-26.34**	**120,363**	**133,390**	**-9.77**
	CONUS[3]	6,821	6,787	0.50	24,563	24,441	0.50
	OVERSEAS[3]	509	506	0.50	1,831	1,821	0.55
COAST GUARD	TOTAL[3]	**7,329**	**7,293**	**0.50**	**26,393**	**26,262**	**0.50**
	CONUS[3]	1,042	1,276	-18.34	4,171	5,538	-24.68
	OVERSEAS[3]	1,563	1,938	-19.35	6,504	8,204	-20.72
MAIL ORDER	TOTAL[4]	**2,605**	**3,215**	**-18.97**	**10,675**	**13,742**	**-22.32**
	CONUS	$461,579	$422,911	9.14	$1,636,995	$1,543,644	6.05
	OVERSEAS	$294,989	$282,632	4.37	$1,058,718	$1,050,011	0.83
ALL EXCHANGES	TOTAL	**$756,567**	**$705,543**	**7.23**	**$2,695,713**	**$2,593,655**	**3.93**
DEPARTMENT STORES	*U.S.*[1]	*$12.396*	*$11.580*	*7.05*	*$42.943*	*$40.536*	*5.94*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

* Unusual April increase includes sales to oil spill clean-up volunteers in Kodiak, Alaska, commissary.

** Because of MWR consolidation, Marine Corps exchange sales in 1989 are not comparable to 1988 sales.

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Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM ARMY TIMES PUBLISHING COMPANY SEPTEMBER 1989 $6.00

THE DISTRIBUTION MANIFESTO

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"Distribution should be a common effort, starting from the manufacturer to the customer, but not ending there."

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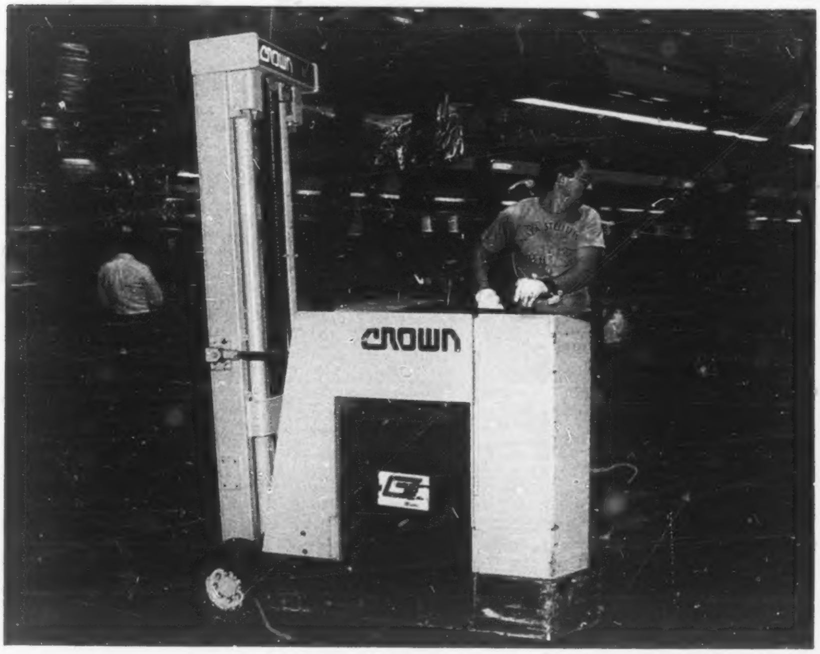

SEPTEMBER 1989 **VOL. 40, NO. 9**

News

☐ Rackjobbing increases H&BA prices for customers in two Arizona commissaries. ☐ But on the West Coast, Marine Corps exchanges find rackjobbing very helpful. ☐ Government bans some Borden products from commissaries. ☐ Jones Commission heads toward December finish. ☐ AAFES officially opens Waco Distribution Center. ☐ AFCOMS is still deciding on commissary data contract. ☐ House approves benefits portability plan. ☐ New mail order catalog lets you fax your order, too. ☐ And DPSC wants to know just how metric suppliers really are. 6

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ON THE COVER: Bettie Guy on the scanner; Charles Weisneth, DDDC head; unidentified worker in picking.

COVER PHOTOS BY BILL KALIS; DESIGN BY MARTY BAUMANN

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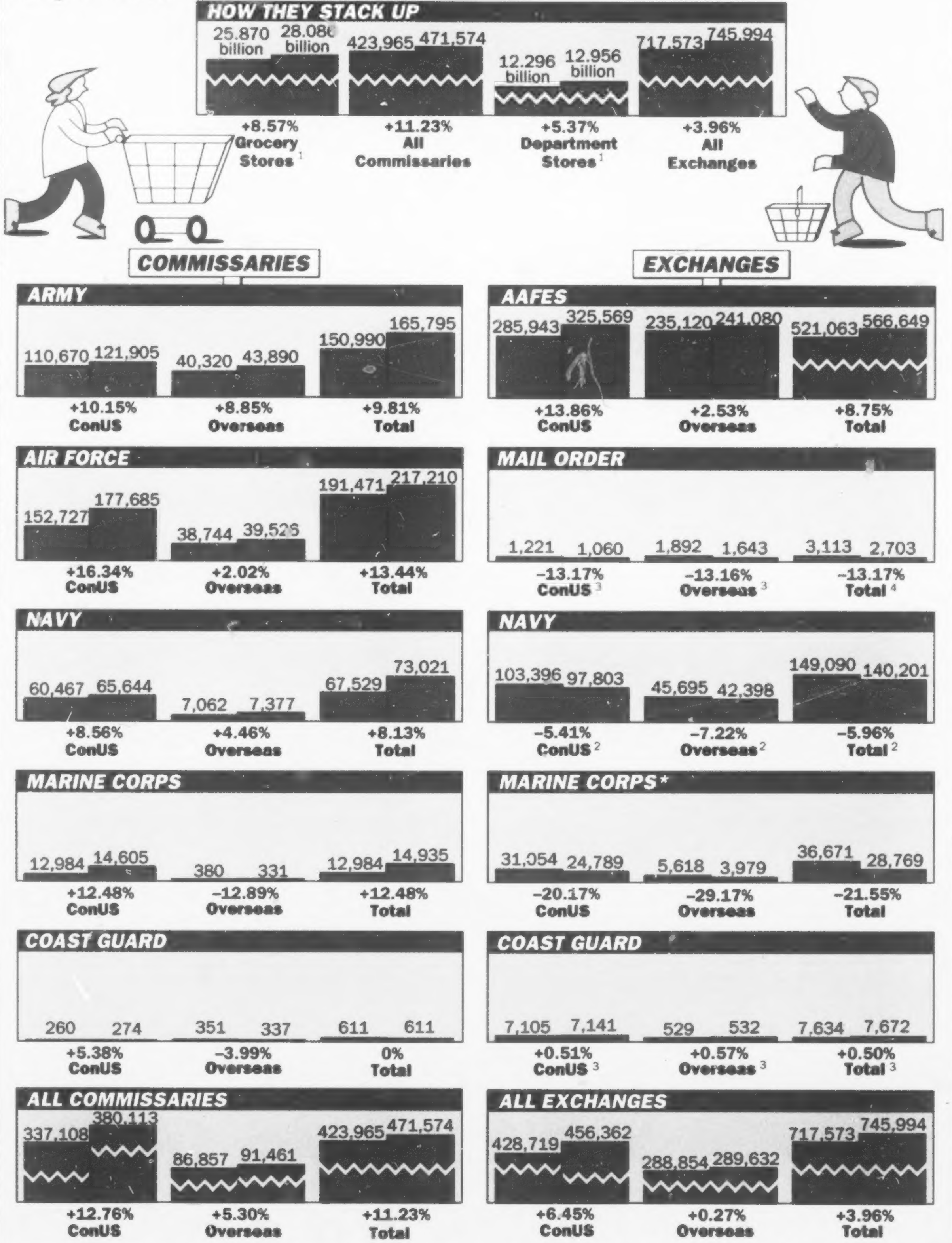
Military Market Index

May '88 May '89

All figures in dollars



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Marty Baumann

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SPECIAL PULL-OUT: THE 1990 PROMOTIONS CALENDAR

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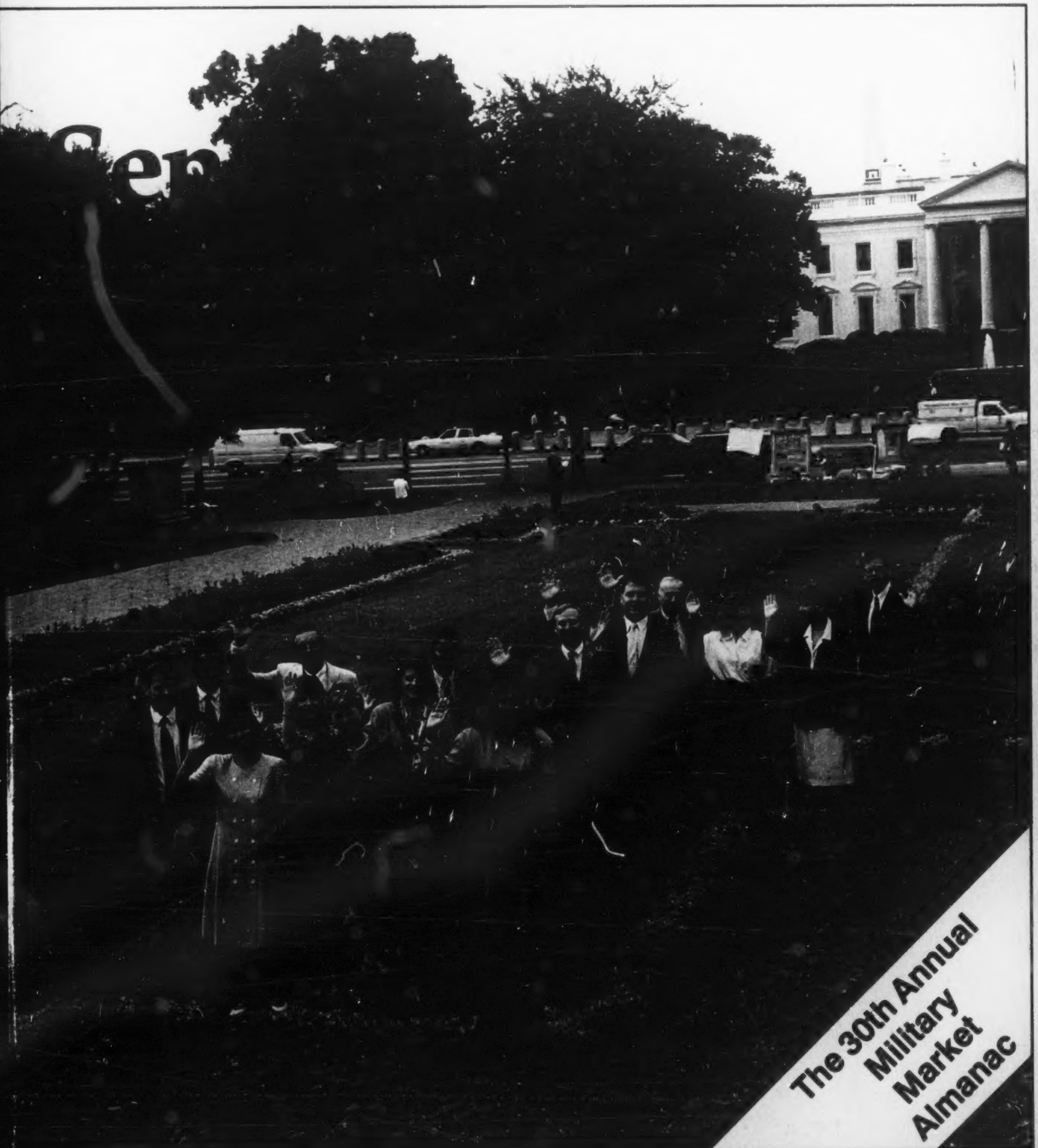

The 30th Annual Military Market Almanac

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ON THE COVER: The ALA Headquarters staff in Lafayette Park, Washington, D.C.

COVER PHOTO BY RICH MASON; DESIGN BY MARTY BAUMANN

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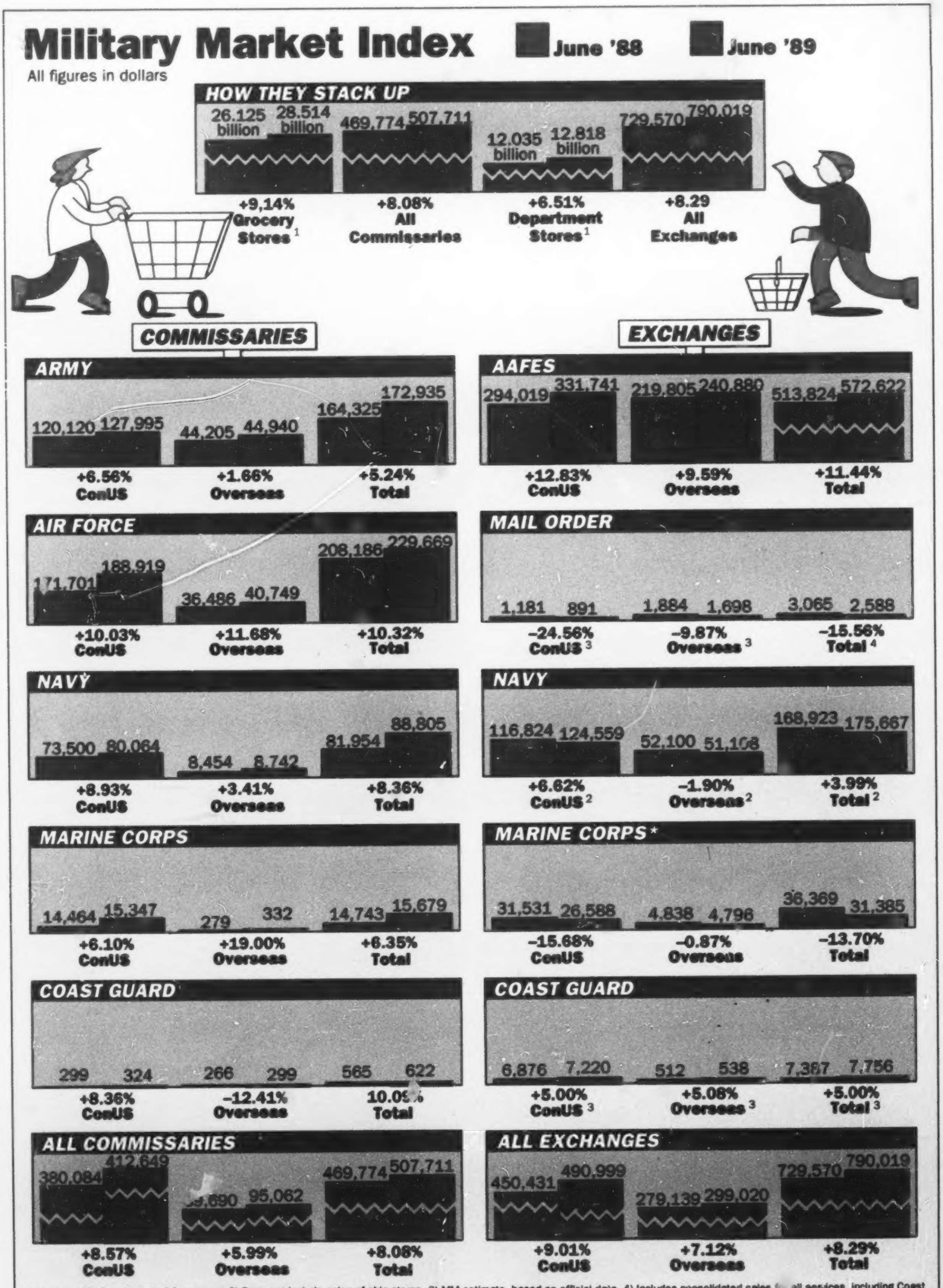

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Marty Baumann

Store Swapping

The services are cooperative and non-possessive, because cross-operated stores save money, improve selection and increase efficiency. Are these peaceful takeovers the wave of the future? Associate Editor Karen McBeth filed this special report.

If the commissary at Fitzsimons Army Medical Center, Colo., had been transferred to AFCOMS this month as planned, it would have joined the ranks of "cross-operated" stores: commissaries owned by one service but operated on the installation of another branch of the military.

In practice, these operations have existed for some time. In theory, they are becoming ever more popular.

When one service finds that another commissary system can supply a store more efficiently, the arrangement is struck. The gaining service changes the computer system, adds the store to its reports and keeps the surcharge revenues as income. The losing service crosses the store's personnel out of its operating budget.

"Most of the people transfer to the gaining service under transfer of functions," Charles Fulmore, deputy to the commander of the Troop Support Agency, told MILITARY MARKET.

In some cases, the commissary keeps the signage and appearance of the installation's parent. But often, employee identification and store decor take on the look of the gaining service. When a new store is required before the transfer, the gaining service is usually the one to build it, at no charge to the host.

MILITARY MARKET research indicates that less than 10 installations have taken advantage of such arrangements to date. But military experts agree that other opportunities may exist in the future, especially as pressure increases on appropriated funds for commissaries.

"At joint meetings, we are always discussing those kinds of opportunities," Col. Ronald Leach, the former operations director of the Air Force Commissary Service, told MILITARY MARKET before he retired.

The Navy's Ed Yerman, deputy commander of the commissary store division, said that the services conduct studies on the cost/benefit of possible transfers "all the time."

"The bottom line is, if it will be more efficient to the Department of Defense and the taxpayer — can we save appropriated dollars by either obtaining or maintaining the support," TSA's Fulmore explained.

Col. Frank Dooley, commander of AFCOMS' Northeast Commissary Region, agreed: "When you have the opportunity to pool resources and share the overhead, I think it makes good operating sense." Dooley was director of operations for AFCOMS when it built the Fort Dix/McGuire AFB, N.J., store.

— *Navy/Coast Guard* —

Technical arrangements for the switchovers vary among the services.

For example, the Navy operates the Coast Guard's Governor's Island, N.Y., commissary as a contractor, considering it a Coast Guard store even though it is listed on Navy reports for convenience's sake.

In an unusual arrangement, the Navy bills the Coast Guard at the end of each year for reimbursement of operations and maintenance funds, which go to paying Navy employees in the store. This billing is in addition to keeping the surcharge dollars, which pay for equipment expenditures.

"We think it still should be a Coast Guard store," Yerman explained. "We run it because we have the resources close by. It saves the taxpayers money."

For instance, the Coast Guard didn't have the advantage of a centralized warehouse like the Navy's at Davisville, R.I., explained assistant deputy commander Anthony De Gaetano.

With the Davisville field support office nearby, the Navy can provide central procurement, inventory control, data processing, accounting, administration and distribution functions that the Coast Guard, with only two commissaries, cannot. (Besides the Governor's Island, N.Y., store, the Coast Guard has a commissary at Kodiak, Alaska.)

The Governor's Island commissary also benefits by being able to share in the Navy's voluntary price reductions.

"It's a case of DoD supporting the Department of Transportation — different departments helping each other to service the service member," De Gaetano explained.

And it is done at a savings of federal dollars. Yerman said that, after the Navy took over operation of the store in May 1987, fiscal year 1987 savings to the taxpayer were $157,641. Sales for the store went from $2.6 million in fiscal 1986 to $3.2 million in fiscal 1988. This year, the increase so far has been about 6.7 percent, Yerman said.

Back in May 1987, the store carried 2,700 line items. By December 1988, the merchandise selection had jumped to 6,700 line items. Yerman said the Navy plans to enlarge the sales area soon.

— *Air Force/Marines* —

Three Marine Corps commissaries on the Japanese island of Okinawa are operated by the Air Force under what is called a memorandum of understanding or memorandum of agreement.

The Japanese Facilities Improvement Program still pays for the construction of some of the Okinawa stores, as is common in the Pacific. The JFIP, for instance, will pay for construction of a new commissary to be built at Camp Kinser, Okinawa, in fiscal 1990. But the Air Force helped pay for construction of the commissary at Camp Foster.

The Air Force signed an agreement with the Japanese to run the Marine Corps stores. The store personnel are AFCOMS employees and the Air Force so far is keeping the surcharge money.

However, Pat Nixon, Marine Corps commissary program manager, said that the Marines may share in the Camp Foster revenues after the Air Force pays off its initial investment.

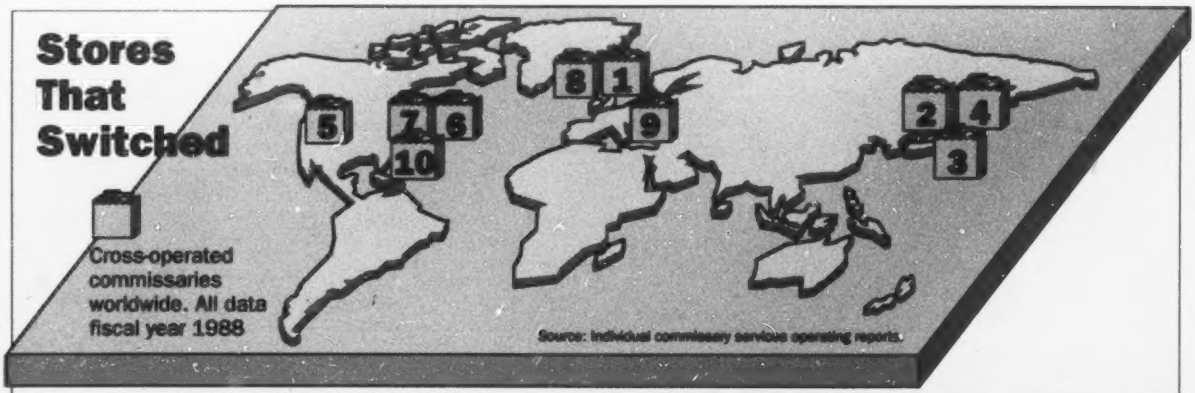
The only contact that the Marine Corps has with the stores is to ascertain occasionally that service levels are being maintained, Nixon said. Each base does perform some maintenance on the stores, for which it is sometimes reimbursed by the Air Force.

"It's a benefit to the Marine Corps — a sound business decision," he explained. "The Air Force has a large commissary at Kadena [AB, Okinawa], so it makes more sense from a business standpoint not to have everybody running stores just because they have a base there."

The stores use the Air Force computer system, but they continue to feature Marine Corps decor and signage. "When they are operating as an agent, then the integrity of the store must be maintained," Nixon said.

— *Store Identity* —

In other cases, the commissary ceases to associate itself with the parent service. According to TSA's Fulmore, "Once the [gaining] service takes over the management, it is their store."



Stores That Switched

Cross-operated commissaries worldwide. All data fiscal year 1988

Source: Individual commissary services operating reports.

INSTALLATION	OWNED BY	STORE RUN BY	AVG. MO. SALES	ANNUAL SURCHARGE REV.
1 Burtonwood, U.K.	Army	Air Force	$20,050	$11,664
2 Camp Courtney, Okinawa	Marine Corps	Air Force	$110,831	$64,475
3 Camp Foster, Okinawa	Marine Corps	Air Force	$1,787,114	$1,039,629
4 Camp Kinser, Okinawa	Marine Corps	Air Force	To be built in FY 1990	
5 Fitzsimons, Colorado	Army	Undecided	$857,248	$504,062
6 Governor's Island, N.Y.	Coast Guard	Navy	$266,597	$164,619
7 Fort Dix, (McGuire), N.J.	Army	Air Force	$4,317,364	$2,511,566
8 Menwith Hill, U.K.	RAF	Air Force	$180,002	$104,713
9 Nea Makri, Greece	Navy	Air Force	$63,864	$15,480
10 Pope AFB, N.C.	Air Force	Army	$96,146	$56,534

Cristina Rivero

"I strongly endorse them [joint operations], whenever the opportunity presents itself — as long as it doesn't cost the taxpayer money or affect customer service."

He said that the gaining service uses its own merchandising material and product selections. TSA does not provide signage or other identification to the Air Force for the Army stores which AFCOMS runs. The employees at Pope AFB, N.C., which the Army runs for AFCOMS, wear beige jackets, the Army's color, while those at Dix/McGuire wear red, the color of jackets for Air Force managers.

But AFCOMS does attempt to give its adopted stores the flavor of the host installation. "Our philosophy is, even if it belongs to AFCOMS, to use the other service's signage," AFCOMS's Leach said. "It's important for customers at that installation."

Dooley, who was formerly commander of AFCOMS's European Region, said that Army signage is used at Burtonwood, England, an Army installation with a commissary run by the Air Force. "We make a conscious attempt to make the store look like the service of the base it is on."

Because the Navy considers Governor's Island a Coast Guard store, it is not surprising that it follows the same philosophy. The store still has the Coast Guard signs which it always had. Next year, the Navy will coordinate store sales and promotions for the 200th anniversary of the Coast Guard.

"It looks to the customer as if it's a Coast Guard store — and why shouldn't it?" said the Navy's Yerman.

The store also features Navy commissary promotions. Other Navy stores will not be included in the Coast Guard anniversary promotions, however.

— *Future Cross Operations* —

Headquarters commissary personnel at each service seem committed to the prospect of transferred stores, where they are deemed beneficial.

Possible other locations for cross-operated stores include Fort Devens and Hanscom AFB in Massachusetts; Fort Lewis and McChord AFB in Washington; and Fort Richardson and Elmendorf AFB in Alaska. Some people speculate that the Army could run all of the stores in the Washington, D.C., metropolitan area, or that the Air Force could take over everything in the San Antonio, Texas, area.

Overseas, would it make sense for the Army to operate Air Force stores in Germany?

"There are no plans for Germany," said TSA's Fulmore. "It might be looked at by the Jones Commission [during its deliberations on the future of commissaries], or it might not."

Former European commander Dooley admits it would be possible: "The Army could theoretically supply Air Force stores in Germany, but I don't know at what cost. They would have to add more staff. There's not much in the way of savings there. They would have to have one computer system."

Could the Marine Corps, with its efficient Pacific distribution system, manage other service commissaries in that area?

"The [West Coast Commissary] Complex could take care of small stores, but would not be able to handle larger ones [in the Pacific]," said Joseph Jeu, head of the Marine Corps' Services Branch. "We have system limitations. [But] once we upgrade the automated system, we certainly could support two or three more stores."

Some opportunities for cross-service operations already have been considered and rejected by the services:

☐ The Army and the Navy looked at the possibility of transferring Oakland Army Depot, Calif., to the Navy, since that service has a strong operation in the San Francisco Bay area. But "we found it wasn't cost efficient — it would cost more for the taxpayers," said the Navy's Yerman.

☐ TSA's Fulmore said, "We looked at receiving [Navy] support for the little store at Fort Story, Va., but when we analyzed it, we found it was better to retain our own support. It wouldn't have meant any savings."

☐ Yerman said that the Air Force considered having the Navy's Oakland Field Support Office be responsible for distribution to Air Force bases on Guam. But AFCOMS has since announced plans to distribute there via its own store at McClellan AFB, Calif.

☐ Fitzsimons Army Medical Center in Colorado was to transfer to the Air Force this month, but reports indicate that it will probably remain with the Army.

The Army has budgeted for a new commissary at that location in fiscal 1991, sooner than the Air Force could probably do so. Hospital commanders want to replace the outdated Fitzsimons commissary as soon as possible.

The Fitzsimons transfer was to be an interesting case, because it would have been one of the few instances where an existing store was transferred. Often, a new store is built by the gaining service.

According to Fulmore, the transfer made sense because, while Fitzsimons is only 3½ miles from Lowry AFB, Colo., it is 80 miles from the nearest Army store at Fort Carson, Colo. The Rocky Mountain Arsenal warehouse that services the Fitzsimons store is closing Oct. 1 under federal direction.

— *Flexible Arrangements* —

None of the accepted practices for the operation of a transferred store is written in stone, officials agree.

"Our agreement is, whatever the losing service put into it, goes to the service taking over," Fulmore said of the Army's cross-operated projects. "That's the arrangement so far. It's not a law. The future arrangements could be different."

Other details could also vary. For example, Fulmore explained that, in the hypothetical case where a store had its own warehouse with five or six employees, those people could be integrated into the overall structure of the gaining service, or there could be a reduction in force.

Commissary system decision-makers talk favorably about cross-operations. The Navy's Yerman summed up the popular view: "I strongly endorse them [joint operations], whenever the opportunity presents itself — as long as it doesn't cost the taxpayer money or affect customer service." **MM**

1989 ALMANAC

Military Market
MAGAZINE

THE MARKET

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DESIGN BY LEE CERVERA

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THE MARKET

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

Years of age	Men	Women	All
Under 21	17.36%	16.29%	17.25%
21–25	31.95%	36.21%	32.40%
26–29	17.42%	21.26%	17.82%
30–34	14.70%	16.30%	14.87%
35–39	10.78%	7.68%	10.45%
40 and over	7.79%	2.26%	7.21%

As of Fiscal Year 1989. Does not include Coast Guard.

SOURCE: DoD Directorate of Information, Operations & Reports.

RACE BREAKDOWN OF ACTIVE DUTY MILITARY

CAUCASIAN
1,557,356

72%

BLACK
426,496

20%

HISPANIC
84,930

4%

OTHER
85,238

4%

As of March 31, 1989.

SOURCE: Research Department, Army Times Publishing Co.

RESERVE FORCES IN PAID STATUS

ARMY RESERVE	
Officers	59,358
Enlisted	253,467
Total	**312,825**

ARMY NATIONAL GUARD	
Officers	48,216
Enlisted	406,966
Total	**455,182**

NAVAL RESERVE	
Officers	27,804
Enlisted	121,653
Total	**149,457**

MARINE CORPS RESERVE	
Officers	3,626
Enlisted	39,930
Total	**43,556**

AIR FORCE RESERVE	
Officers	16,549
Enlisted	65,567
Total	**82,116**

AIR NATIONAL GUARD	
Officers	13,960
Enlisted	101,261
Total	**115,221**

DoD RESERVES (Total)	
Officers	169,513
Enlisted	988,844
Total	**1,158,357**

COAST GUARD RESERVE*	
Officers	1,533
Enlisted	10,551
Total	**12,084**

TOTAL (All Services)	
Officers	171,046
Enlisted	999,395
Total	**1,170,441**

As of Fiscal Year 1989.

*The Coast Guard is part of the Department of Transportation.

SOURCE: DoD Directorate of Information, Operations and Reports

AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY

Years of age	Number	Percent
Under 5	504,557	30.3
5–9	581,156	34.9
10–14	402,979	24.2
15–17	176,512	10.6
Total	**1,665,204**	**100.0**

As of June 19, 1989.

SOURCE: Defense Eligibility Enrollment System

AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY

Years of age	Number	Percent
Under 20	75,055	6.4
20–24	364,719	31.1
25–29	314,291	26.8
30–34	247,446	21.1
35–39	155,973	13.3
40 and over	15,245	1.3
Total	**1,172,729**	**100.0**

As of June 19, 1989.

SOURCE: Defense Eligibility Enrollment System

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	Total Active Duty	Percent Male	Percent Female
CY1988	2,174,717	89.5	10.5
CY1987	2,211,871	89.8	10.2
CY1986	2,205,497	89.8	10.2
CY1985	2,190,016	90.2	9.8
CY1984	2,176,628	90.6	9.4
CY1983	2,123,349	90.7	9.3
CY1982	2,108,612	91.0	9.0

As of September 30th for each year listed.

SOURCES: DoD and Department of Transportation.

POPULATION OF THE MILITARY COMMUNITY*

ACTIVE DUTY	NUMBER	PERCENT
Active duty personnel	2,154,020	17.3
Males	1,928,522	15.5
Females	225,498	1.8
Dependents	2,910,277	23.4
Spouses	1,172,729	9.4
Children	1,665,204	13.4
Other	72,344	0.6
Total Active Duty	**5,064,297**	**40.7**
RETIREES		
Retired military**	1,566,899	12.6
Spouses	1,275,354	10.2
Children	1,755,293	14.1
Total Retired	**4,597,546**	**36.9**
RESERVISTS		
In paid status	1,170,441	9.4
Males	1,031,159	8.3
Females	139,282	1.1
Spouses	741,089	5.9
Children	889,296	7.1
Total Reservists	**2,800,826**	**22.4**
TOTAL MILITARY COMMUNITY	**12,462,669**	**100.0**

*As of March 31, 1989. Includes U.S. Coast Guard in active duty, reserves and retired.

**Includes 139,799 families receiving survivor benefits.

SOURCE: DoD Directorate for Information, Operations and Reports.

ACTIVE DUTY MILITARY BY RANK, SEX AND SERVICE

	ARMY		NAVY		MARINE CORPS		AIR FORCE	
Rank	Male	Female	Male	Female	Male	Female	Male	Female
OFFICERS								
O-7–O-10	393	4	254	2	69	1	332	2
O-6	4,321	106	3,711	113	630	10	5,383	126
O-5	10,334	526	7,508	465	1,601	22	11,924	502
O-4	15,157	1,634	12,112	1,502	3,128	86	17,890	1,725
O-3	29,400	4,607	19,801	2,820	5,902	229	37,123	5,923
O-2	12,455	2,600	7,482	996	4,134	140	11,893	2,708
O-1	8,468	1,882	11,301	1,404	2,533	115	7,682	1,913
Warrant officers	14,685	391	2,923	33	1,429	50	0	0
Total officers	**95,213**	**11,750**	**65,092**	**7,335**	**19,426**	**653**	**92,227**	**12,899**
ENLISTEDS								
E-9	4,220	36	4,542	27	1,472	11	4,829	29
E-8	14,432	276	9,971	158	3,757	55	9,482	195
E-7	48,498	2,375	32,531	1,234	9,281	224	37,151	1,702
E-6	79,889	7,257	77,295	5,615	14,759	715	53,813	5,129
E-5	103,632	14,063	94,792	11,166	23,628	1,795	97,256	14,543
E-4	173,044	27,127	96,188	12,652	30,873	2,066	99,614	17,321
E-3	82,971	10,301	63,385	9,329	51,565	2,432	70,287	14,462
E-2	42,873	6,071	42,863	3,975	20,154	1,156	22,705	5,282
E-1	39,370	4,010	43,438	5,083	12,822	506	10,738	2,318
Total enlisteds	**588,929**	**71,516**	**465,005**	**49,239**	**168,311**	**8,960**	**405,875**	**60,981**
CADETS/MIDSHIPMEN	**3,937**	**502**	**5,466**	**433**	**0**	**0**	**3,896**	**568**
GRAND TOTAL	**688,079**	**83,768**	**535,563**	**57,007**	**187,737**	**9,613**	**501,998**	**74,448**

	TOTAL DoD			COAST GUARD		TOTAL ALL SERVICES		
Rank	Male	Female	Total	Male	Female	Male	Female	Total
OFFICERS								
O-7–O-10	1,048	9	1,057	30	0	1,078	9	1,087
O-6	14,045	355	14,400	336	0	14,381	355	14,736
O-5	31,367	1,515	32,882	650	2	32,017	1,517	33,534
O-4	48,287	4,947	53,234	936	18	49,225	4,965	54,190
O-3	92,226	13,579	105,805	1,562	78	93,788	13,657	107,445
O-2	35,964	6,444	42,408	836	92	36,800	6,536	43,336
O-1	29,984	5,314	35,298	508	54	30,492	5,368	35,860
Warrant officers	19,037	474	19,511	1,388	12	20,425	486	20,911
Total officers	**271,958**	**32,637**	**304,595**	**6,248**	**256**	**278,206**	**32,893**	**311,099**
ENLISTEDS								
E-9	15,063	103	15,166	277	0	15,340	103	15,443
E-8	37,642	684	38,326	536	1	38,178	685	38,863
E-7	127,461	5,535	132,996	2,674	40	130,135	5,575	135,710
E-6	225,756	18,716	244,472	5,373	240	231,129	18,956	250,085
E-5	319,308	41,567	360,875	5,359	439	324,667	42,006	366,673
E-4	399,719	59,166	458,885	6,073	710	405,792	59,876	465,668
E-3	268,208	36,524	304,732	3,967	534	272,175	37,058	309,233
E-2	128,595	16,484	145,079	3,043	384	131,638	16,868	148,506
E-1	106,368	11,917	118,285	315	35	106,683	11,952	118,635
Total enlisteds	**1,628,120**	**190,696**	**1,818,816**	**27,617**	**2,383**	**1,655,737**	**193,079**	**1,848,816**
CADETS/MIDSHIPMEN	**13,299**	**1,503**	**14,802**	**0**	**0**	**13,299**	**1,503**	**14,802**
GRAND TOTAL	**1,913,377**	**224,836**	**2,138,213**	**33,865**	**2,639**	**1,947,242**	**227,475**	**2,174,717**

DoD data as of Fiscal Year 1989. Coast Guard data as of August 1, 1989.

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COMPENSATION

AVERAGE MILITARY COMPENSATION FOR THE PAST 10 YEARS

FY 1989	$30,855
FY 1988	29,438
FY 1987	28,416
FY 1986	27,682
FY 1985	26,915
FY 1984	25,902
FY 1983	24,656
FY 1982	23,538
FY 1981	20,546
FY 1980	18,420

SOURCE: DoD Military Personnel Budget for the years shown.

INCOME OF THE MILITARY COMMUNITY FY 1989

Active Duty Military		Retired Military		Reservists In Paid Status	
Total	$74.2		$57.6		$37.4
Military pay, allowances, benefits	65.8	Pensions	20.1	Employment	25.0
Moonlighting and working spouses income	8.4	Second career jobs	27.3	Working spouses income	6.6
		Working spouses income	10.2	Reservist training pay	5.8
Total income of the military community					$169.2 billion

$ in billions.

SOURCES: DoD Personnel Budget for Fiscal Year 1989 and Department of Commerce and Bureau of the Census data for non-government income of families in the military community.

1989 ACTIVE DUTY MILITARY ANNUAL COMPENSATION

Average military compensation	$30,855*
Regular military compensation	24,354
Basic pay	16,999
Basic allowance for quarters	2,764
Variable housing allowance	751
Station allowance overseas	266
Subsistence allowance	1,948
Federal income tax advantage	1,626
Special pays & consumption advantage	6,501
Special allowances	580
Special and incentive pays & bonuses	1,120
Commissary and exchange savings	556
Free/reduced cost medical & dental care	2,404
Retirement credit, current year's service	680
Social Security payments (government contributions)	1,161

*Annual rate, including value of fringe benefits and consumption advantages. The breakdown above represents per-capita amounts derived by dividing the total value of each category by the number of active duty personnel.

SOURCE: Estimates based on DoD Personnel Budget for Fiscal Year 1989.

1989 ALMANAC

MARKET RETAIL SALES

LARGEST SUPERMARKET CHAINS CY 1988

1 Kroger	$ 19.1
2 American Stores	14.3
3 Safeway	13.6
4 Winn-Dixie	9.0
5 A & P	8.3
6 Albertson's	5.9
7 Supermarkets General	5.8
8 Worldwide Commissaries	**5.6**
9 Domestic Commissaries	**4.5**
10 Vons	3.9

$ in billions.

Domestic military commissary sales rose to 9th place from 10th place, while Supermarkets General jumped from 9th place to 7th place, passing Worldwide Commissaries, which remained in 8th place. Lucky Stores dropped from the list, having been bought by American Stores in June 1988. Meanwhile, Vons Supermarkets took over 10th place, having expanded significantly with the August 1988 acquisition of the Southern California operations of Safeway Stores.

Commissary sales include the 5 percent surcharge.

SOURCES: Sales of civilian supermarket chains were obtained from Standard and Poor's Corporate Descriptions On-Line. Military commissary sales are as reported by the headquarters offices of the various commissary systems.

THE MARKET'S RETAIL SALES

COMMISSARIES
$5,556.7 million

38.4%

EXCHANGES*
$8,909.9 million

61.6%

TOTAL
$14,466.6 million

100.0%

*Includes sales by mail order catalog, concessions, food service, personal services, etc.

COMBINED COMMISSARY AND EXCHANGE SALES

CY 1988	$14.467 billion
CY 1987	$13.705 billion
CY 1986	$12.660 billion
CY 1985	$12.155 billion
CY 1984	$12.068 billion
CY 1983	$11.789 billion
CY 1982	$11.354 billion
CY 1981	$10.640 billion
CY 1980	$9.863 billion
CY 1979	$8.890 billion

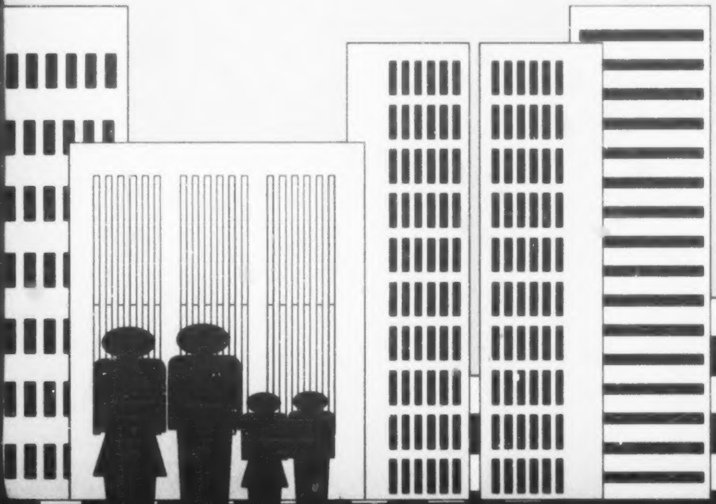
LARGEST DEPARTMENT STORE AND VARIETY CHAINS CY 1988

1 Sears	$ 30.1
2 K mart	25.9
3 Wal-Mart	20.6
4 J.C. Penney	15.3
5 May Department Stores	11.7
6 Federated Department Stores	11.1
7 Dayton-Hudson	10.7
8 Worldwide Military Exchanges	**8.9**
9 F.W. Woolworth	6.8
10 Domestic Military Exchanges	**5.8**

$ in billions.

Worldwide exchanges remained in 8th place, while domestic exchanges rose from 11th place to 10th place, replacing Zayre, which was acquired by Ames Department Stores last fall.

SOURCES: Sales of civilian department store chains were obtained from the following on-line computer data bases: Standard and Poor's Corporate Descriptions and Disclosures On-Line. Military exchange sales are as reported by the headquarters offices of the various exchange systems.



1989 ALMANAC

EXCHANGES

EXCHANGE SALES BY REGION CY 1988

System	Domestic	Percent of Total	Overseas	Percent of Sales	Worldwide	Percent of Total
AAFES	$3,534.8	57.1	$2,659.9	42.9	$6,194.7	69.5
Navy	1,528.2	77.0	455.7	23.0	1,983.9	22.3
Marine Corps	414.0	93.9	26.7	6.1	440.7	4.9
Coast Guard	99.4	91.4	9.3	8.6	108.7	1.2
VCS	181.9	100.0			181.9	2.0
TOTAL	**$5,758.3**	**64.6**	**$3,151.6**	**35.4**	**$8,909.9**	**100.0**

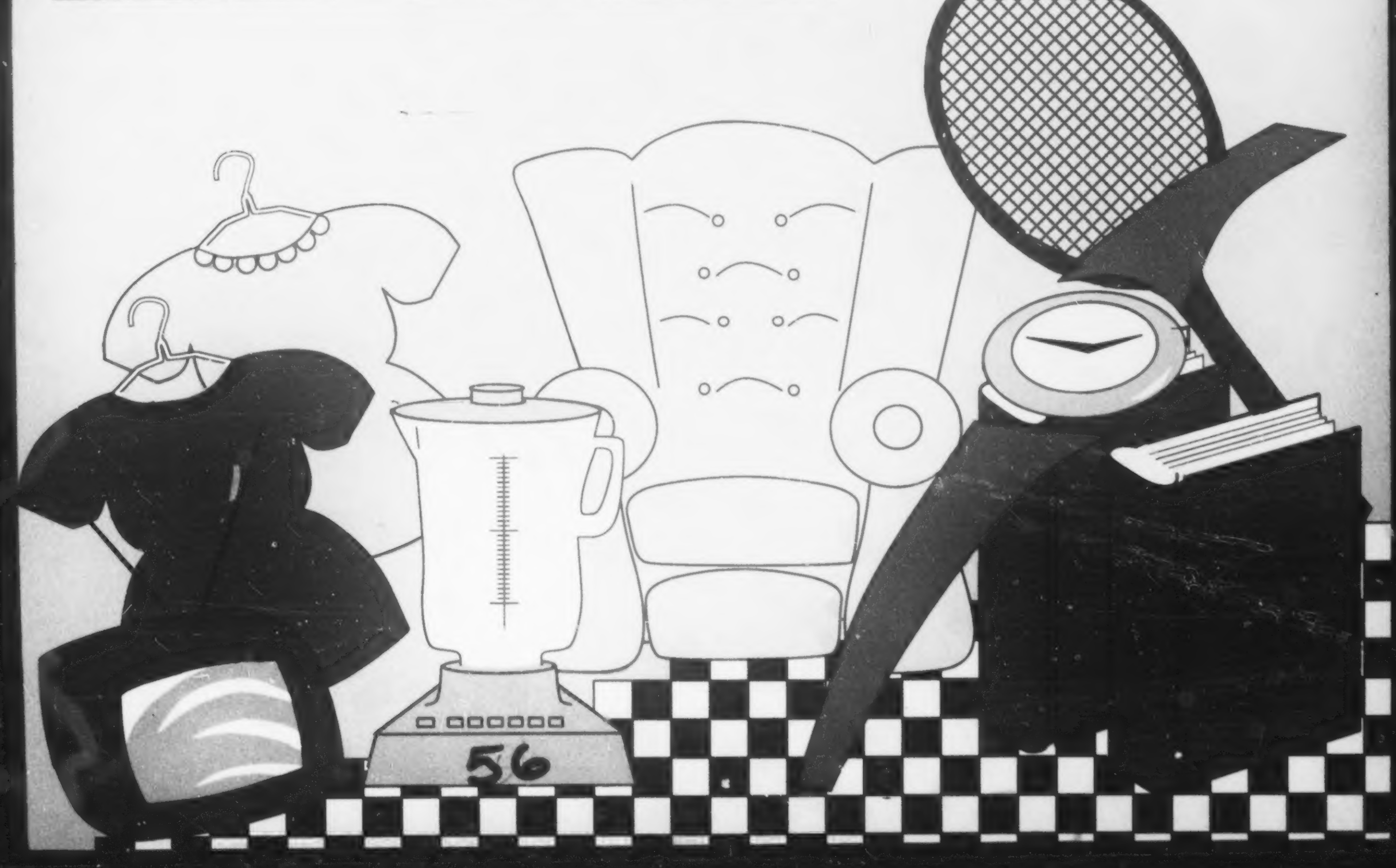
$ in millions

10-YEAR EXCHANGE SALES GROWTH

CY 1988	$8.910
CY 1987	8.443
CY 1986	7.613
CY 1985	7.238
CY 1984	7.194
CY 1983	6.878
CY 1982	7.083
CY 1981	6.388
CY 1980	5.944
CY 1979	5.286

$ in billions.

SOURCE: Headquarters offices of exchange systems.



EXCHANGE RETAIL SALES BY DEPARTMENT AND BY AREA CY 1988

DEPARTMENT	CONUS	%	OVERSEAS	%	WORLDWIDE	%
Automotive accessories	$127,597,621	2.8	$60,205,675	2.3	$187,803,296	2.6
Gasoline/fuel[1]	348,305,162	7.7	150,165,038	5.7	498,470,200	7.0
Automotive labor[2]	23,159,764	0.5	5,867,178	0.2	29,026,942	0.4
Tobacco products, incl. vending	254,140,368	5.7	76,382,415	2.9	330,522,783	4.6
Military uniforms, incl. DPSC[3]	256,614,503	5.7	75,698,713	2.9	332,313,216	4.7
Convenience food, candy, snacks	254,019,012	5.7	192,135,954	7.3	446,154,966	6.3
Beer & soda, incl. vending[4]	266,459,443	5.9	160,502,025	6.1	426,961,468	6.0
Health & beauty aids	222,861,325	5.0	106,492,821	4.1	329,354,146	4.6
Cosmetics & fragrances	130,352,875	2.9	53,035,050	2.0	183,387,925	2.6
Jewelry, incl. precious	121,714,166	2.7	83,008,715	3.2	204,722,881	2.9
Watches	61,109,452	1.4	36,991,017	1.4	98,100,469	1.4
Stationery	84,400,051	1.9	29,155,858	1.1	113,555,909	1.6
Greeting cards	57,518,151	1.3	27,227,496	1.0	84,745,647	1.2
Books & periodicals	92,118,162	2.0	37,386,167	1.4	129,504,329	1.8
Men's outerwear	99,146,851	2.2	59,964,057	2.3	159,110,908	2.2
Men's furnishings	180,543,387	4.0	80,993,180	3.1	261,536,567	3.7
Women's outerwear	148,632,333	3.3	86,970,533	3.3	235,602,866	3.3
Women's furnishings	98,883,401	2.2	35,252,781	1.3	134,136,182	1.9
Boyswear	41,998,698	0.9	24,631,780	0.9	66,630,478	0.9
Girlswear	38,332,178	0.9	23,541,206	0.9	61,873,384	0.9
Infants' & toddlers' wear	52,667,085	1.2	31,912,950	1.2	84,580,035	1.2
Footwear	152,257,904	3.4	71,336,069	2.7	223,593,973	3.1
Linens & domestics	64,190,017	1.4	36,519,908	1.4	100,709,925	1.4
Yardage & sewing notions	7,976,431	0.2	15,357,108	0.6	23,333,539	0.3
Dinnerware & flatware	19,664,114	0.4	11,638,936	0.4	31,303,050	0.4
Kitchenware	49,032,852	1.1	28,004,989	1.1	77,037,840	1.1
Giftware	54,454,809	1.2	41,362,005	1.6	95,816,814	1.3
Cleaning supplies	59,900,232	1.3	29,615,242	1.1	89,515,474	1.3
Traffic & major appliances	95,849,890	2.1	68,071,096	2.6	163,920,986	2.3
Furniture & home furnishings	53,444,823	1.2	92,193,225	3.5	145,638,048	2.0
Hardware & pet supplies	111,275,797	2.5	39,381,754	1.5	150,657,551	2.1
Luggage	34,328,918	0.8	12,571,921	0.5	46,900,839	0.7
Garden & patio furniture	102,787,654	2.3	13,099,118	0.5	115,886,772	1.6
Sporting goods	66,125,700	1.5	37,821,047	1.4	103,946,747	1.5
Photo finishing	25,674,157	0.6	7,326,827	0.3	33,000,984	0.5
Photography & optical[5]	82,712,766	1.8	53,999,931	2.1	136,712,697	1.9
Toys, games & bicycles	85,600,812	1.9	68,599,435	2.6	154,200,247	2.2
Consumer electronics	295,487,960	6.6	410,465,474	15.6	705,953,434	9.9
Recorded sound & video	69,368,108	1.5	96,972,277	3.7	166,340,385	2.3
Videotape rental[6]	44,614,000	1.0	40,861,000	1.6	85,475,000	1.2
Distilled spirits & wine[7]	59,418,853	1.3	13,101,980	0.5	72,520,833	1.0
TOTAL RETAIL**	**$4,494,739,782**	**100.0**	**$2,625,819,953**	**100.0**	**$7,120,559,735**	**100.0**

[1] AAFES Retail Department 2, and Navy Services Department J-3.

[2] AAFES Retail Department 3, and Navy Services Department J-5.

[3] AAFES Retail Departments 19 and 40, Navy Retail Department E-1, and Navy Services Department L-1.

[4] Includes Navy Retail Department A-6 items sold through package stores.

[5] AAFES Retail Department 93, Navy Retail Department B-1, and Navy Services Department K-2.

[6] AAFES only

[7] Navy Retail Department A-9, which, along with Retail Department A-6 (beer and soda), is credited with sales through package store outlets.

[8] With the exceptions indicated in footnotes, 1, 2, 3 and 5, the above totals do not include sales of food or services departments such as cafeterias, snack bars, beauty and barber shops, nor do they include concession sales. No vending sales are included, with the exceptions of tobacco and beverage vending, as noted above.

SOURCE: Research Department, Army Times Publishing Company.

1989 ALMANAC

COMMISSARIES

COMMISSARY SALES BY REGION CY 1988

System	Domestic	Percent of Total	Overseas	Percent of Total	Worldwide	Percent of Total
Air Force	$2,014.3	81.4	$461.5	18.6%	$2,475.8	44.6
Army	1,519.3	78.0	428.9	22.0	1,948.2	35.1
Navy	789.0	89.8	89.6	10.2	878.7	15.8
Marine Corps	168.7	97.9	3.7	2.1	172.3	3.1
Coast Guard	3.3	48.5	3.5	51.5	6.8	0.1
State Department			75.0	100.0	75.0	1.3
TOTAL	**$4,494.6**	**80.9**	**$1,062.1**	**19.1**	**$5,556.8**	**100.0**

$ in millions

COMPARISON OF PERCENT SALES BY MAJOR DEPARTMENT COMMISSARIES VS. CIVILIAN SUPERMARKETS CY 1988

	Average Percent of Total Sales MEAT	Average Percent of Total Sales PRODUCE	Average Percent of Total Sales GROCERY
Army commissaries	13.9	4.7	81.4
Air Force commissaries	15.7	5.4	78.9
Navy commissaries	17.1	6.4	76.5
Marine Corps commissaries	16.3	6.0	77.7
Combined military commissaries	15.1	5.2	79.7
Civilian supermarkets	19.0	10.5	70.6

Surcharge has not been included in commissary sales. Therefore, military ratios are from cash register prices. No adjustment has been made for lower commissary price levels.

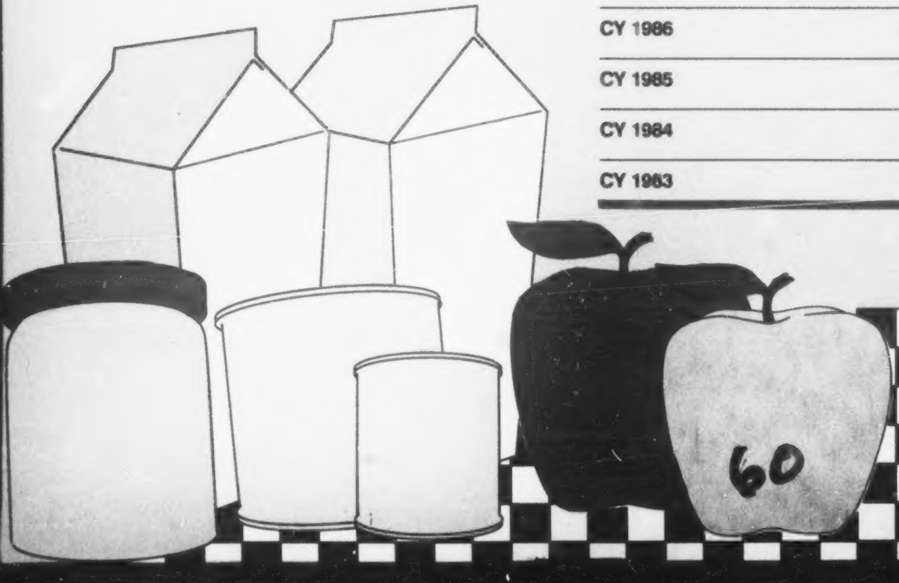
SOURCES: For commissaries, reports received from headquarters offices of the four military commissary systems shown. For supermarkets: "1989 Supermarket Sales Manual." *Progressive Grocer*, July 1989. To insure comparability, the percent of total sales by department exclude those categories of items not stocked in military commissaries, such as beer, wine, housewares, softgoods, books, periodicals and other non-food general merchandise. However, tobacco sales have been retained, even though Navy commissaries stock these items on a limited basis.

10-YEAR COMMISSARY SALES GROWTH

CY 1988	**$5.557**	**CY 1982**	**4.476**
CY 1987	**5.262**	**CY 1981**	**4.251**
CY 1986	**5.047**	**CY 1980**	**3.919**
CY 1985	**4.918**	**CY 1979**	**3.604**
CY 1984	**4.874**		
CY 1983	**4.705**		

$ in billions.

SOURCE: Headquarters offices of commissary systems.



TOBACCO ENTERS...

MARTY BAUMANN

THE TWILIGHT ZONE

Market Reports by Karen McBeth, Associate Editor

As the tobacco industry continues its slow decline, suppliers are doing what they can to revitalize a stale market. Last year's spark-producer, the so-called "smokeless" cigarette from R.J. Reynolds, fizzled out of test markets in February.

Now, the only breath of fresh air on the product scene is really not an innovation at all. Philip Morris is testing what it calls a "denicotined" cigarette. But competitors counter that it has the same nicotine content as some of their brands.

For an industry plagued by ill will and rising prices, the only alternative to changing an unchangeable product is to lower its price. And, ultimately, that is what manufacturers are doing.

Twice-annual price increases for veteran brands are still traditional. But more and more often, whole lines are joining, or rejoining, the ranks at lower-price points.

OVERVIEW

Last year again saw the overall 2-percent decrease in consumption and unit sales which has come to be expected for the tobacco industry. The Tobacco Institute reports that domestic cigarette sales for 1988 were 563 billion cigarettes, down from 575 billion cigarettes in 1987.

Industry analyst John C. Maxwell, of Wheat First Securities, told MILITARY MARKET that consumption probably will drop another 2 percent this year. However, *Advertising Age* reported that "the rate of decline is accelerating, with overall consumption down 4 percent for the first five months of 1989."

Sales in the military look a little brighter. Year-to-date as of June, carton shipments of cigarettes were up 0.12 percent when compared to the same period for 1988, according to Management Science Associates, which measures military tobacco shipments. Cartons shipped in the United States through the second quarter of 1989 totaled 36,554,880, up from 36,510,540 cartons in 1988.

Maxwell's data for 1988 revealed that Philip Morris was the only company to show sales gains last year, and R.J. Reynolds suffered its first market share decline in five years. Analysts cited in the *Wall Street Journal* predict 1 percent or 2 percent growth for Philip Morris's share this year, while RJR's could fall 7 percent or 8 percent.

Price/value (mid-priced) and generic cigarettes accounted for 11.4 percent of the total cigarette market last year, according to Maxwell. He told MILITARY MARKET that the price/value segment will continue to grow this year, while generics will decline. Maxwell data published in *Ad Age* showed Philip Morris held 30 percent of the value segment as of February.

TOP 10 CIGARETTE "FAMILIES"
Commercial Market vs. Military

	Commercial[1]		**Military**[2]	
Brand	**% 1988**	**% 1987**	**% 1989**	**% 1988**
Marlboro	24.7	23.6	18.26	18.40
Liggett Generic/PL			10.54	11.25
Winston	10.8	11.1	8.09	8.71
Doral	3.3	3.0	8.04	7.99
Salem	7.4	7.7	5.90	6.45
Kool	5.8	6.0	4.52	4.47
Newport	4.6	4.2		
Benson & Hedges	4.1	4.3	4.40	4.83
Camel	4.2	4.2		
B&W Generic/PL			4.01	2.88
Merit	3.9	3.9		
Pall Mall			3.13	3.48
Virginia Slims	3.1	3.1		
Carlton			2.91	2.87

A "family" includes all flavor/size variations packaged under a single name.

[1] SOURCE: Estimates by John C. Maxwell, Jr., Wheat First Securities, for calendar years 1988 and 1987.

[2] SOURCE: Management Science Associates, for year-to-date periods ending June 1989 and June 1988. Continental U.S. only. Excludes sales in Navy commissaries.

MILITARY TRENDS

Generics may be declining in the commercial sector, but in the military, smokers still like the black-and-whites. Dean Weller, a buyer of tobacco and accessories for the Army and Air Force Exchange Service, told MILITARY MARKET that the generic segment grew last year from about 10 percent of total cigarette sales to 12 percent of the category.

"As prices keep going up for cigarettes, people are switching to lower priced products," he explained. In AAFES, the mid-priced or price/value brands haven't grown as much as was predicted, Weller said.

A Navy exchange buyer reported that price/value brands and generics should continue to gain market share. Military sales managers also predict growth in both segments.

In the military, as in the commercial sector, rising prices cause dollar sales to increase, even though unit sales may bedown. In AAFES, dollar sales of tobacco products were up 5 percent in fiscal 1988, according to Weller. He said that unit sales declined for all categories except smokeless (chewing tobacco). Carton sales of cigarettes were down 12 percent in fiscal 1988.

Navy exchanges saw a 2.3-percent increase in tobacco department dollar sales, from $102.1 million in fiscal 1987 to $104.5 million in 1988. As of July, fiscal 1989 sales totaled $56.4 million.

Marine Corps exchanges sold $16.7 million in tobacco products in fiscal 1988, which ended in January. This is a 1-percent increase in dollar sales over fiscal 1987.

For the six Navy commissaries which sell tobacco items (Pearl Harbor, Guam, Atsugi, Chinae, NS Charleston and NWS Charleston), sales totaled $8,991,657 in fiscal 1988, which ended last October. This is a 9.7 percent increase in dollar sales. For fiscal 1989, as of August, dollar sales were $8,124,852.

Military Audits of Market Information data show the following are the top-selling cigarette brands for all commissaries: **#1** — Marlboro king filter, hard box; **#2** — Winston king size filter; **#3** — Marlboro king size filter; **#4** — Doral 100s; **#5** — L&M Class A light 100s; **#6** — L&M Class A light king size filters; **#7** — Marlboro Light king size filters; **#8** — Pall Mall king size non-filter; **#9** — L&M Class A ultra light 100s, and **#10** — Doral king size filters.

"SAVINGS SEGMENT" SHARE OF RESALE CIGARETTE MARKET

Agency	%
Total commissaries	36.73
AFCOMS	35.23
TSA	39.11
Total exchanges	21.64
AAFES	19.73
Navy	23.49
Marine	20.00
Overall military	31.50

"Savings segment" includes generics, value 25s, and mid-priced (price/value) cigarettes. Standard-priced cigarettes make up the balance of the market; in this case, 68.5 percent of overall military market unit movement comes from standard-priced cigarettes.

SOURCE: Management Science Associates. Figures are year-to-date for June 1989, expressed in terms of unit movement.

CORPORATE MARKET SHARES
Military vs. Commercial Market

	Total Commissary	AFCOMS	TSA	Total Exchange	AAFES	NEX	MCX	CGX	Total Military	Overall Commercial
Philip Morris	30.1	31.1	28.9	38.2	40.6	35.2	45.3	33.0	32.8	39.3
R.J. Reynolds	29.9	30.3	28.5	24.8	22.7	26.5	23.7	27.7	28.3	31.8
Brown & Williamson	12.2	10.0	14.8	14.3	10.2	20.6	8.1	12.3	12.7	11.0
Liggett Group	14.5	14.5	15.2	6.6	11.3	1.2	5.5	8.3	11.9	2.7
American Tobacco	9.7	10.5	9.0	8.6	6.0	10.8	8.7	11.8	9.4	6.9
Lorillard	3.7	3.7	3.7	7.6	9.3	5.7	8.7	6.9	5.0	8.3

Figures are expressed in terms of percents of cigarette unit sales in the United States, excluding overseas and the six Navy commissaries which stock cigarettes. Percent shares of market may not total 100.0 because of rounding.

SOURCES: Military data from Management Science Associates for 6 months as of June 1989. Commercial data as of year-end 1988, based on estimates by John C. Maxwell Jr., Wheat First Securities.

PIPES:
Fashionable Smoking

Pipes may be becoming the puff of choice for military smokers. According to some sources, sales keep increasing.

Dan Ward, national sales manager for Dr. Grabow Pre-Smoked Pipes, told MILITARY MARKET that military sales were up 12 percent year-to-date as of July. While poor sales during August meant that year-to-date sales at the end of that month were actually down 2.25 percent, Ward still expects to see growth at year's end because sales are traditionally better during cool months and the period before Christmas.

Despite the military discouragement of smoking in general, pipes are "doing very well," said William Lowell, president of Hash Mark Associates, the broker which represents Dr. Grabow. Some growth probably comes from cigarette or cigar smokers who have switched to pipes.

Another reason for the relative stability of the pipe industry is that the typical pipe puffer is an older, mature person who doesn't see the habit as hazardous to his health, Lowell explained. Thus pipe smokers are less likely to quit than cigarette smokers, for instance.

Pipes have also begun appealing to a new target market, according to Lowell: Young men entering the service are now trying pipes instead of cigarettes. "Pipe smoking is kind of fashionable," he said. And pipe smokers tend to be collectors, so they keep buying.

Last year ended with Dr. Grabow's sales up a few percentage points, according to Ward. The company is garnering business as competitors drop out of the military arena.

However, Dr. Grabow's success may not characterize the pipe category as a whole. Dean Weller, a buyer of tobacco and accessories for AAFES, told MILITARY MARKET that sales of pipes are "rapidly declining."

Dr. Grabow's Ward admitted that last year, he helped Navy exchanges reduce their stock assortment because they were carrying too many. And Hash Mark's Lowell said that AAFES also "purified" its stock assortment, keeping the better-selling pipes (about 11) and adding tobacco pouches, sweeteners and filters. AAFES's Weller said that the agency won't need to necessarily decrease its assortment, but it will continue to "control it."

Cigar smokers are more likely to switch to pipes than are cigarette smokers, according to Dr. Grabow's Ward. AAFES's Weller reported that sales of cigars are also down, and AAFES is revising its cigar stock assortment completely "to get more in line with the No. 1 sellers in industry."

While lighters are dependent on the tobacco industry for sales, *Convenience Store News* reports that the items move quickly if they are placed in strategic locations. As with any impulse product, lighters sell best at the front end, in the beer and soft drink section, with snacks and with bread.

Commissary shoppers prefer soft pack cigarettes over hard boxes 88 percent to 12 percent, according to MAMI. More than three-quarters of commissary shoppers prefer regular cigarettes over menthols.

NEWS FROM THE BIG SIX

☐ *Philip Morris USA:* The company's Next brand cigarette has been hailed by many as "nicotine-free," though it actually contains about a tenth of a milligram of the controversial chemical. According to the *Wall Street Journal,* Next's nicotine content is the same amount found in Carlton and Now, but it has higher levels of tar.

Next is being tested in Toledo, Ohio; Omaha, Neb.; and Hartford, Conn. Reports indicate that the company is offering an incentive of $60 a case for distributors to handle the brand.

Critics say Next's biggest market will be young smokers and wanna-be smokers. Trade publications report that the company now holds about 67 percent of the young adult smoker market (those 25 or younger).

In January, Philip Morris repositioned its Alpine brand from a full-margin product to a price/value brand. According to Maxwell data, Alpine had a tenth of a percent market share in 1988.

☐ *R.J. Reynolds Tobacco Co.:* According to *Ad Age,* RJR is expected to reduce trade promotions and increase advertising while the company's market share drops by as much as 10 percent this year.

However, Ralph Gaillard, director of military sales, told MILITARY MARKET that he expects sales to improve in upcoming months. "As everyone knows, we've been going through some changes corporately, and that's why our share is down," he explained. "We may be down, but we're not out."

The company's new brands are Magna and Chelsea. Magna is described as a "macho discount brand," targeted toward young male smokers. The *Wall Street Journal* reports that it is gaining some sales from Marlboro. Gaillard said that, in just three months after its April introduction, the brand achieved a 0.86 percent market share.

Chelsea, which produces a sweet-smelling smoke, is being tested in Southern Florida, Eastern Pennsylvania and Nevada. Gaillard said that it will reach the military if and when it goes national.

According to *Ad Age,* Doral is the No. 1 value cigarette and the only one to have reached the industry's Top 10. The newspaper reports that RJR's 39 percent share hold in the value segment is largely due to the success of Doral. "Doral is our strength in the military," Gaillard said.

☐ *Liggett Group:* Liggett is focusing on its new Pyramid brand, which is priced below generics and is available in nine styles. Debbie Harris, director of government sales, told MILITARY MARKET that it has been available nationally in commissaries and exchanges since February. Although considered part of the price/value segment, "it's another pricing tier," Harris said.

She pointed out that the price/value and generic cigarettes combined now represent 31 percent of total U.S. military cigarette sales. "Since we are a price value company, we're finding that as this category grows, our sales our growing also," Harris said. She added that Liggett's Class A generic brand accounts for 35 percent of sales in the combined category.

"We're continuing to see growth in the black-and-white segment," she explained. The reason generics fare better in the military than in civilian retail is because, in the military, Liggett has been able to build brand recognition for the Class As.

☐ *Brown and Williamson Tobacco Corp.:* After the market share of its Viceroy brand reached an all-time low in 1988, Brown and Williamson tested the line at the mid-price range. By the beginning of this year, the Viceroy brand was in national distribution at the new, reduced price.

Irv Otte, director of government and vending, told MILITARY MARKET that for the eight months ending in August, sales of Viceroy were up 64.5 percent. The military market share for Viceroys had been sliding, to a low of 0.48 percent at the end of 1988, Otte said. As of June, the Viceroy share had risen to 0.70 percent — a jump of more than 45 percent.

In addition, the company's mid-priced Richland 20s, launched late last year, saw 829-percent growth in sales in the first eight months of this year.

Otte predicts that by 1993, the "value-for-money" segment will account for 53 percent of category sales in the government. He said that Brown and Williamson is now testing a new line of Belairs at a lower price in about 20 percent of the country, in civilian stores only.

B&W generics are growing as well: Case sales of the GPC-Approved brand are up 32.4 percent for the first eight months of 1989, Otte said.

Even unit sales of the Kool brand — which has declined for the past 8 years — are up, Otte said. He attributes the growth to more coupons, advertising and a strong marketing mix. "It's hard to turn a brand like that around."

☐ *Lorillard Inc.:* The word from the trade is that Lorillard is extending the test of its Harley-Davidson brand of cigarettes. The line was introduced to Terre Haute, Ind., in the fall of 1987, and it is now available in five other mini markets.

The company is also expanding distribution for its Newport Stripes. The brand, targeted at female smokers, was introduced in March 1988.

☐ *American Tobacco Corp.:* The company reports that in mid-September, it began national distribution for two new lines: Montclair and American Lights Menthol.

The Montclair brand is priced below generics — according to the company, a carton will cost about $4.01 in the military. The line will roll out gradually. American Lights Menthol cigarettes will be available in military stores at a generic-level price.

At the end of June, the company made its Malibu Ultra Lights 100s available nationally as well. The Malibu line is sold at a standard price, but it features an on-going, on-carton coupon promotion. The $3 discount brings its price down to mid-price range.

A new line that may soon appear on the national scene is the company's Misty brand. This thin, female-targeted cigarette is being tested in California and Louisiana markets.

SMOKELESS: *The Big Chew In Tobacco Field*

Smokeless products may turn out to be the saviors of the tobacco industry. The moist snuff segment has enjoyed healthy growth lately, prompting industry sources to speculate that tobacco lovers are making the switch from smoking to chewing.

Jim Cranford, director of marketing (existing products) for the Pinkerton Tobacco Corp., told MILITARY MARKET that the moist snuff category grew 8 percent in unit sales in 1988. Year-to-date sales for 1989 are up about 6 percent. A spokesman for U.S. Tobacco Co. said that the company's smokeless products grew 9 percent in unit volume sales last year, and they are up 2.6 percent for the first six months of 1989.

Snuff and loose leaf products have always had a niche in rural areas and small towns, but their popularity seems to be trickling to other markets.

Overall, U.S. Tobacco's Skoal and Copenhagen brands are the top sellers, with combined sales accounting for about 90 percent of all moist snuff sales in 1988. In the loose-leaf market, Conwood's Levi Garrett and The Pinkerton Tobacco Co.'s Red Man brands hold more than 50-percent share.

In commissaries, for the 12 months ending in June 1989, unit sales of smokeless tobacco products were up 9 percent, and dollar sales were up 16 percent, according to Military Audits of Market Information. MAMI data shows that the moist snuff segment grew from a 35-percent hold on the category to 45 percent.

In the Army and Air Force Exchange Service, the only tobacco segment to gain in unit sales last year was smokeless. Dean Weller, buyer of tobacco and accessories, told MILITARY MARKET that sales of smokeless items were up 16 percent as of January, both in dollars and in units.

"People seem to be switching from the burning product to the kind that you hold in your mouth," Weller explained.

Pinkerton's Cranford offers two reasons for the increasing use of moist snuff: It offers people who already use smokeless tobacco a more discreet form, and it's possible that some people are using moist snuff in lieu of smoking, particularly as localities and airlines place restrictions on where they can smoke.

In response to the new-found popularity of moist snuff, "there is a considerable amount of new product activity, on our part, and on the part of other manufacturers," said Ted Powell, vice president of marketing for Conwood Co. Conwood's newest item is Kodiak Straight natural-flavored moist snuff, distributed mainly in the Southeast. It is available in military stores.

This year Pinkerton introduced a new moist snuff line — Renegades, a portioned-pouch, wintergreen product in a can. Cranford said that the company has two other moist snuffs in test market: High Country, a straight non-flavored pouch product, and Blazer, a loose moist snuff.

New for U.S. Tobacco Co. is Skoal Bandits Classic, a portioned-pouch moist snuff product with a traditional taste.

Sales of loose-leaf chewing tobacco are flat to slightly declining, according to Cranford. At the end of 1988, they were off by a half percent when compared to 1987. This year, sales of loose-leaf will probably be flat. Pinkerton holds about a 39.4-percent share of the loose-leaf category — the market leader.

In commissaries, the top-10 sellers in the smokeless tobacco segment represent almost 80 percent of total packages sold, according to MAMI.

The leading brands are as follows: **#1** — Red Man 3 oz. pouch; **#2** — Copenhagen 1.2 oz. can; **#3** — Levi Garrett 3 oz. pouch; **#4** — Copenhagen 1.2 oz. can, 10-pack; **#5** — Skoal 1.2 oz. can; **#6** — Skoal Long Cut 1.2 oz can wintergreen; **#7** — Beechnut 3 oz. pouch; **#8** — Red Man 3 oz. 12-pack pouch; **#9** — Red Man 3 oz. Pouch Gold Blend, and **#10** — Levi Garrett 3 oz. 12-pack pouch.